



COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015  
WITH REPORT OF  
CERTIFIED PUBLIC ACCOUNTANTS

Prepared by the City of Safford  
Department of Finance

# CITY OF SAFFORD, ARIZONA

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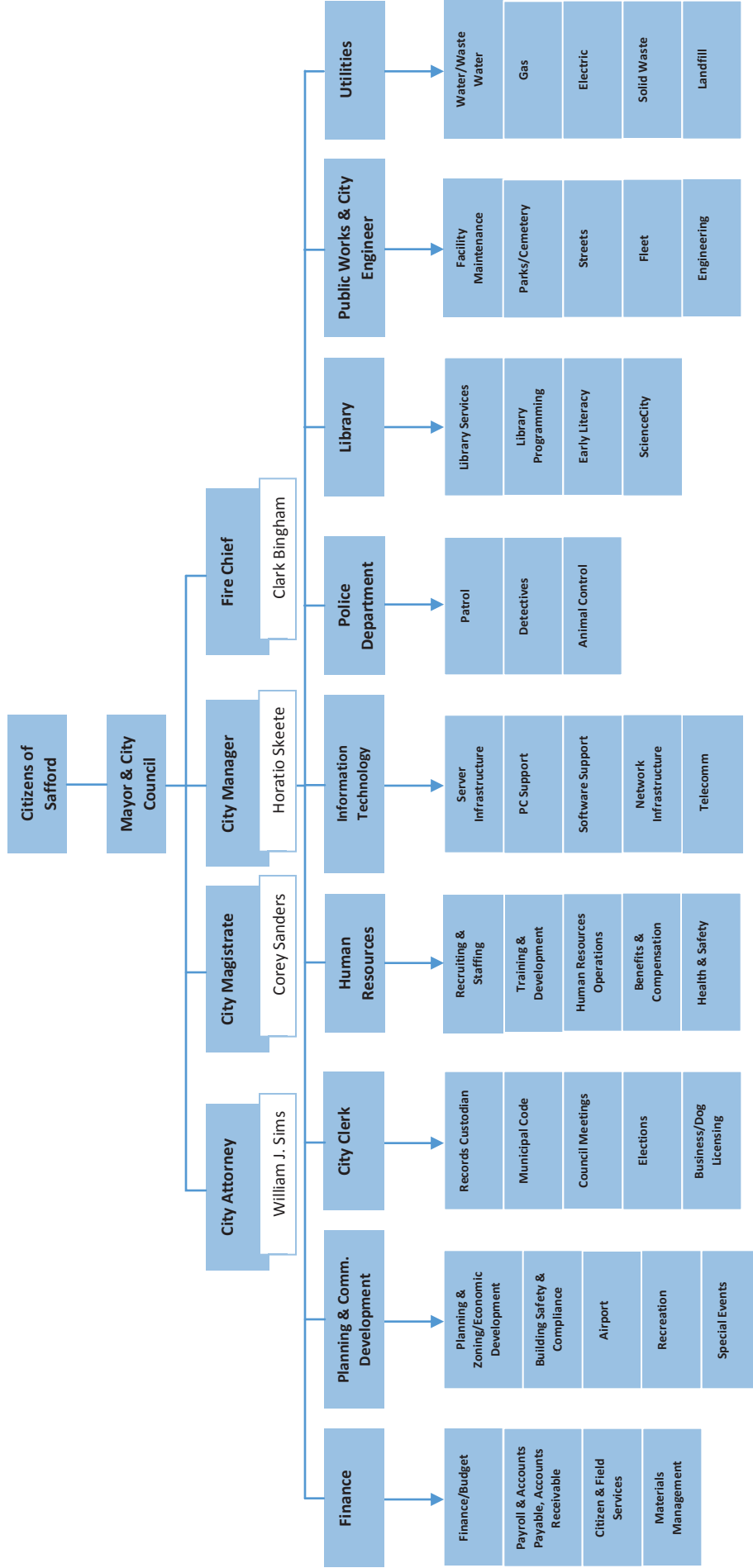
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## CITY OF SAFFORD ORGANIZATIONAL CHART



**CITY OF SAFFORD, ARIZONA  
LIST OF CITY OFFICIALS**

**Elected Officials**

Mayor . . . . . Wyn C. Gibbs  
Vice Mayor . . . . . Mary Bingham  
Council member . . . . . James D. Howes  
Council member . . . . . Arnold Lopez  
Council member . . . . . Richard L. Ortega  
Council member . . . . . Ken Malloque  
Council member . . . . . Gene Seale

**Staff**

City Manager . . . . . Horatio Skeete  
City Attorney . . . . . William J. Sims  
City Clerk . . . . . Georgia Luster  
City Magistrate . . . . . D. Corey Sanders, Esq.

**Department Directors**

Interim Finance Director . . . . . Alma Flores  
Fire Chief . . . . . Clark Bingham  
Police Chief . . . . . Joe Burgman  
Planning and Community Services Director . . . . . Dustin Welker  
Public Works Director/City Engineer . . . . . Randy Petty  
Utilities Director . . . . . Jenny Howard  
Human Resources Officer . . . . . Cliff Davis  
Library Director . . . . . Leanne McElroy  
Information Technology Administrator . . . . . Sam Napier



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Safford**  
**Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO



**FINANCIAL SECTION**

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## Independent Auditors' Report

The Honorable Mayor and  
City Council  
City of Safford, Arizona

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Safford, Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Safford, Arizona, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in footnote 1 to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension and OPEB related schedules, and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Safford, Arizona's basic financial statements. The introductory section, combining non-major fund financial statements, nonmajor fund budget and actual statements, combining internal service fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining non-major fund financial statements, nonmajor fund budget and actual statements, and combining internal service fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements, nonmajor fund budget and actual statements, and combining internal service fund financial statements are fairly stated, in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2016, on our consideration of the City of Safford, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on

internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Safford, Arizona's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Hinton Burdick, PLLC". The signature is written in a cursive, flowing style.

HintonBurdick, PLLC

Flagstaff, Arizona

January 11, 2016

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**CITY OF SAFFORD, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2015**

As management of the City of Safford, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity (3) identify changes in the City's financial position (4) identify any material deviations from the financial plan (the approved budget) and (5) individual fund issues or concerns.

The discussion and analysis (MD&A) has a different focus and purpose than the transmittal letter of this report, and is designed to be read in conjunction with the transmittal letter as well as the basic financial statements beginning on page 14 and the accompanying notes to the basic financial statements.

**FINANCIAL HIGHLIGHTS**

- The City's total net position at the close of the fiscal year was \$85,180,221. This amount is comprised of \$79,571,845 in capital assets net of related debt, \$3,064,386 of restricted net position and \$2,543,990 in unrestricted net position.
- Governmental net position decreased by \$10,009,813. This decrease is the net amount of a \$929,924 increase from the results of the City's fiscal year 2015 operations and a \$10,939,737 decrease resulting from the City's implementation of GASB statement no. 68.
- Business-type net position increased by \$1,328,125. This increase is the net amount of a \$6,187,937 increase from the results of the City's fiscal year 2015 operations and a \$4,859,812 decrease resulting from the City's implementation of GASB statement no. 68.
- Total City Sales tax revenue decreased by 4.75 percent from last year and still is the single largest revenue in the budget.
- Improvements totaling \$390,811 were added to the City's water system. In addition, improvements of \$265,777 were made to the electric system while \$2.5 million of assets were added to the City's governmental activities.
- Overall the City's total long-term debt increased by \$1.5 million during the current fiscal year. \$8,195,000 in new debt was issued during fiscal year while \$7,882,787 in existing debt was retired.
- The General Fund's fund balance increased by \$1,084,101 to \$2,364,585. The General Fund's unassigned fund balance represents 19.6% of total General Fund expenditures, excluding transfers out, for the fiscal year. The increase in fund balance resulted from actual expenditures being lower than the budgeted amounts while revenues, were in excess of the budgeted amounts.
- The net positions of the Wastewater, Landfill, Water, Gas, and Electric funds (excluding the adjustment resulting from the implementation of GASB statement no. 68) increased by \$5,835,620.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net position and the Statement of Activities. These statements provide information about the activities of the City as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. (3) Notes to the financial statements.

## **Reporting the City as a Whole**

### **The Statement of Net Position and the Statement of Activities (Government-wide)**

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. Net position, the difference between assets and liabilities, are one way to measure the City's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the City's property tax base or condition of the City's infrastructure to accurately assess the overall health of the City.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the City's basic services are considered to be governmental activities, including general government, public safety, public works/streets, economic development, culture and recreation, and interest on long-term debt. Sales tax, federal grants, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The City charges a fee to customers that is intended to cover all or most of the cost of the services provided for landfill, water, wastewater, gas, and electric services.

## **Reporting the City's Most Significant Funds**

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.
- Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City's financial position. The City's combined assets exceed liabilities by \$93.86 million as of June 30, 2015 as shown in the following condensed statement of net position. The City has chosen to account for its landfill, water, wastewater, gas, and electric operations in enterprise funds which are shown as Business Activities.

### City of Safford Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Current and other assets	\$ 8,609,425	\$ 6,774,952	\$ 25,040,809	\$ 21,027,214	\$ 33,650,234	\$ 27,802,166
Capital assets	37,763,210	37,480,171	59,588,513	58,396,770	97,351,723	95,876,941
Total assets	<u>46,372,635</u>	<u>44,255,123</u>	<u>84,629,322</u>	<u>79,423,984</u>	<u>131,001,957</u>	<u>123,679,107</u>
Deferred outflows of resources	2,941,168	-	759,398	-	3,700,566	-
Long-term liabilities outstanding	23,845,835	9,625,802	21,224,707	16,986,481	45,070,542	26,612,283
Other liabilities	596,988	760,303	1,991,462	2,444,612	2,588,450	3,204,915
Total liabilities	<u>24,442,823</u>	<u>10,386,105</u>	<u>23,216,169</u>	<u>19,431,093</u>	<u>47,658,992</u>	<u>29,817,198</u>
Deferred inflows of resources	1,011,775	-	851,535	-	1,863,310	-
Net position:						
Net investment in capital assets	29,106,750	29,268,578	50,465,095	48,623,415	79,571,845	77,891,993
Restricted	2,785,217	2,390,620	279,169	279,169	3,064,386	2,669,789
Unrestricted	(8,032,762)	2,209,820	10,576,752	11,090,307	2,543,990	13,300,127
Total net position	<u>\$ 23,859,205</u>	<u>\$ 33,869,018</u>	<u>\$ 61,321,016</u>	<u>\$ 59,992,891</u>	<u>\$ 85,180,221</u>	<u>\$ 93,861,909</u>

The City has \$131,001,957 in total assets, with \$97,351,723 in capital assets (net of depreciation). The City's landfill, water, wastewater, gas, and electric enterprise fund operations are included in the Business-type activities column. These operations are capital intensive, using a large portion of their resources to maintain and replace major equipment and facilities.

#### Governmental Activities

The City's programs include: General Government, Public Safety, Highways and Streets, Sanitation, Culture and Recreation, and Economic and Community Development. Each programs' net cost (total cost less revenues generated by the activities) is presented on the following page. The net cost shows the extent to which the City's general taxes support each of the City's programs.

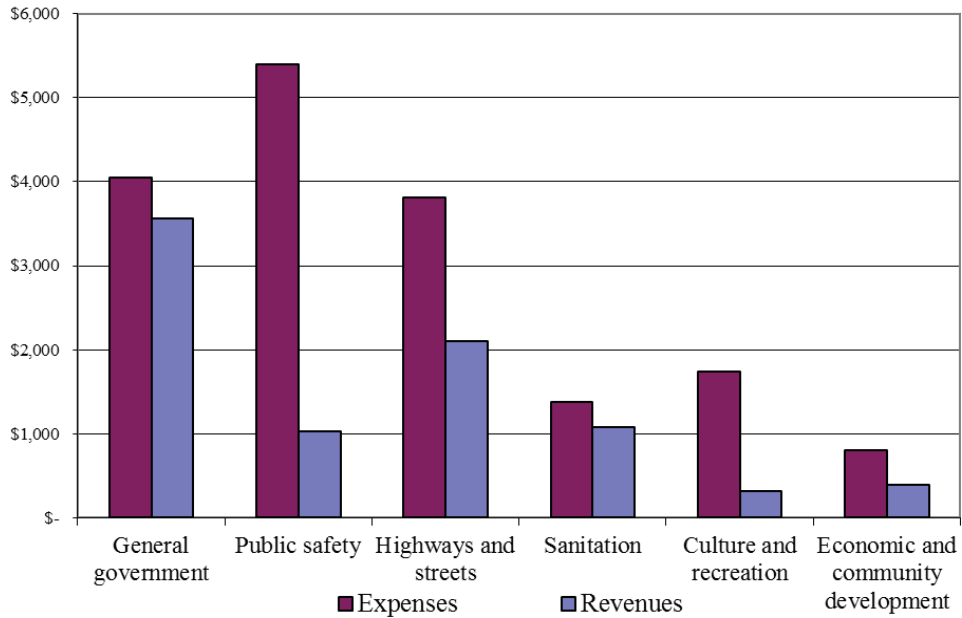
**City of Safford**  
**Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Revenues:						
Program revenues:						
Charges for services	\$ 5,242,475	\$ 4,591,439	\$ 20,512,876	\$ 21,324,767	\$ 25,755,351	\$ 25,916,206
Operating grants and contributions	1,357,280	960,254	-	-	1,357,280	960,254
Capital grants and contributions	1,885,877	2,029,410	2,956,956	1,718,482	4,842,833	3,747,892
General revenues:						
Taxes	8,487,352	9,047,606	-	-	8,487,352	9,047,606
State revenue sharing	1,158,024	1,066,252	-	-	1,158,024	1,066,252
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Investment earnings	1,228	11,830	28,624	32,217	29,852	44,047
Other revenue/(expense)	287,625	293,770	-	-	287,625	293,770
<b>Total revenues</b>	<b>18,419,861</b>	<b>18,000,561</b>	<b>23,498,456</b>	<b>23,075,466</b>	<b>41,918,317</b>	<b>41,076,027</b>
Expenses:						
General government	4,049,819	3,192,161	-	-	4,049,819	3,192,161
Public safety	5,400,353	4,952,160	-	-	5,400,353	4,952,160
Highways and streets	3,810,291	2,117,746	-	-	3,810,291	2,117,746
Sanitation	1,376,403	1,239,595	-	-	1,376,403	1,239,595
Culture and recreation	1,736,943	2,220,900	-	-	1,736,943	2,220,900
Economic and community developmen	809,809	689,070	-	-	809,809	689,070
Interest on long-term debt	306,319	439,867	-	-	306,319	439,867
Airport	-	-	-	-	-	-
Landfill	-	-	1,216,987	1,207,653	1,216,987	1,207,653
Water	-	-	3,719,188	3,771,822	3,719,188	3,771,822
Wastewater	-	-	2,610,848	2,574,004	2,610,848	2,574,004
Gas	-	-	2,398,442	2,315,875	2,398,442	2,315,875
Electric	-	-	7,365,054	7,837,997	7,365,054	7,837,997
<b>Total expenses</b>	<b>17,489,937</b>	<b>14,851,499</b>	<b>17,310,519</b>	<b>17,707,351</b>	<b>34,800,456</b>	<b>32,558,850</b>
Increase (Decrease) in net position before transfers	929,924	3,149,062	6,187,937	5,368,115	7,117,861	8,517,177
Transfers	-	1,376,337	-	(1,376,337)	-	-
Increase (Decrease) in net position	929,924	4,525,399	6,187,937	3,991,778	7,117,861	8,517,177
Net position, beginning	33,869,018	29,343,619	59,992,891	59,007,600	93,861,909	88,351,219
Prior period adjustment	(10,939,737)	-	(4,859,812)	(3,006,487)	(15,799,549)	(3,006,487)
<b>Net position, ending</b>	<b>\$ 23,859,205</b>	<b>\$ 33,869,018</b>	<b>\$ 61,321,016</b>	<b>\$ 59,992,891</b>	<b>\$ 85,180,221</b>	<b>\$ 93,861,909</b>

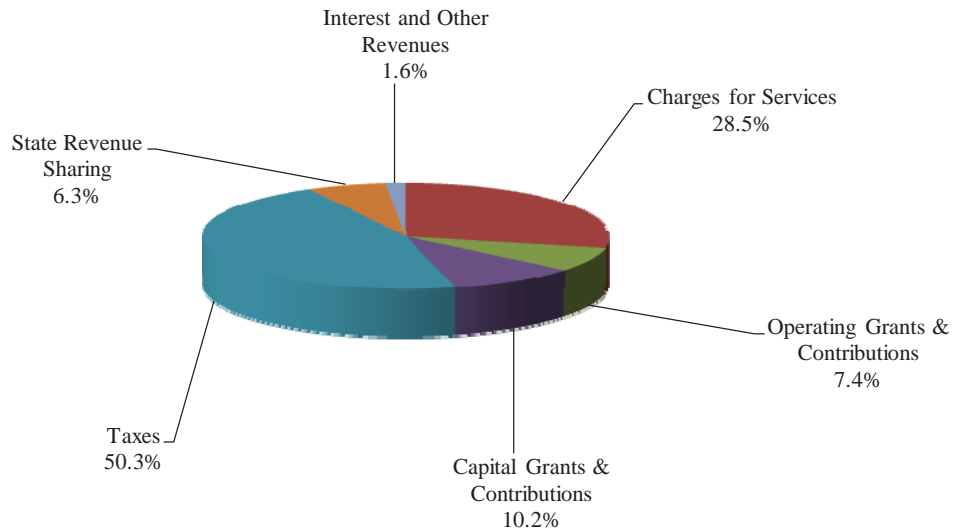
Total resources available during the year to finance governmental operations were \$41.35 million consisting of program revenues of \$8.46 million and General Revenues of \$9.93 million and net position at July 1, 2014 (as restated) of \$22.93. Total Governmental expenses during the year were \$14.85 million. Net position was increased \$4.53 million to \$33.87 million which includes net transfers in of \$1.38 million.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all government activities.

**Expenses and Program Revenues - Governmental Activities  
(in Thousands)**



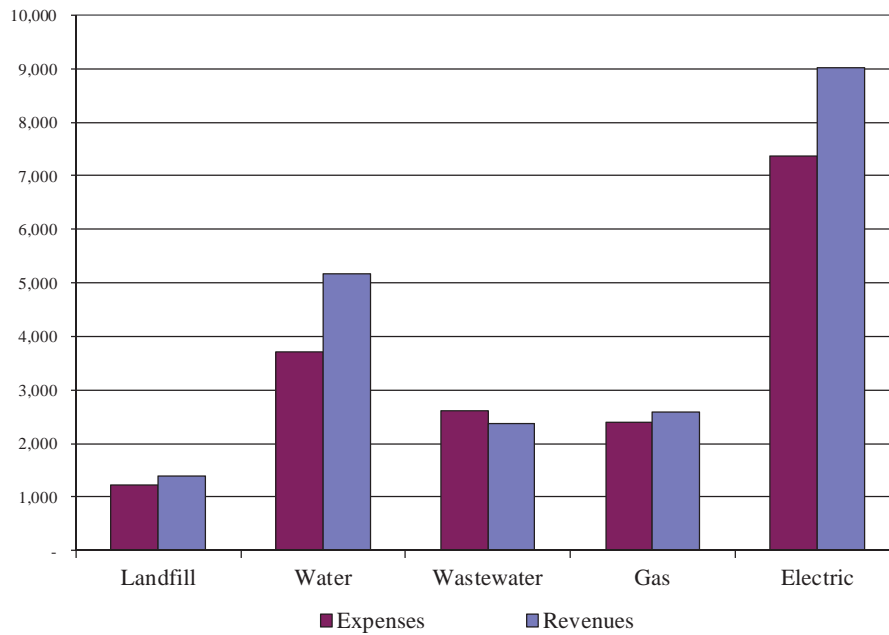
**Revenue By Source - Governmental Activities**



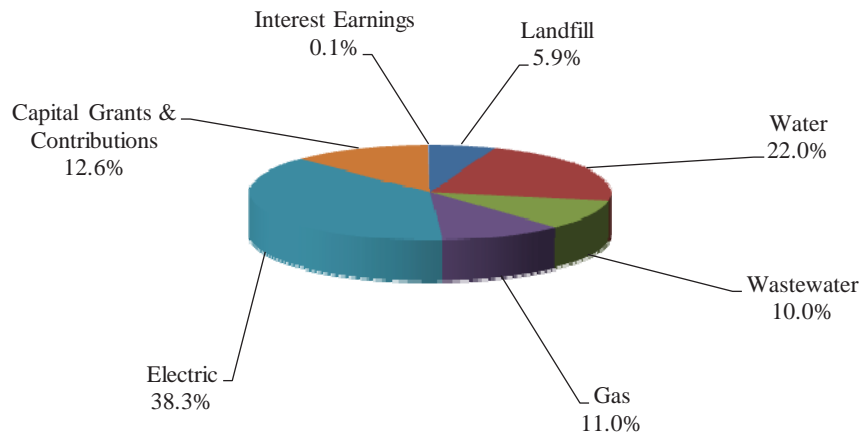
## Business Type Activities

Net Position of the Business Type activities at June 30, 2015, as reflected in the Statement of Net Position, was \$61.32 million. The cost of providing all Proprietary (Business Type) activities this year was \$17.31 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the systems were \$20.51 million and there were \$2.96 million subsidized by grant revenues. Net position increased by \$1.33 million, net of a negative \$4.86 million restatement adjustment for GASB statement no. 68.

**Expenses and Program Revenues - Business-Type Activities**  
(in Thousands)



**Revenue By Source - Business-type Activities**



## **Financial Analysis of the Government's Funds**

As noted earlier, the City of Safford uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The focus of the City of Safford's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Safford's governmental funds reported combined ending fund balances of \$5.73 million, an increase of \$1.49 million in comparison with the prior year. Approximately 45% of this total amount or \$2.32 million constitutes unassigned fund balance. The remainder of the fund balance is restricted or committed because it has already been committed 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other restricted purposes.

The General Fund is the chief operating fund of the City of Safford. At the end of the current fiscal year, total fund balance in the general fund was \$2.36 million of which all but \$43,753 is unassigned. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 19.6% of total general fund expenditures (including transfers).

During the year, the City of Safford's general fund balance decreased by \$1.08 million primarily due to expenditures coming in at \$2.28 million under budget.

The Highway User Revenue Fund has a fund balance of \$2.74 million. The fund balance increased by \$324,840 million from the prior year primarily due to the City not needing to make the \$772,200 transfer out to other funds which had been budgeted.

Each of the proprietary funds reported increases to their net position (excluding the required adjustments to beginning net position which were required by the implementation of GASB statement no. 68). The Landfill fund has a deficit net position of \$5.46 million as of June 30, 2015 due to its large landfill closure liability balance of \$6.4 million.

## **Budgetary Highlights**

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison statements are required for the General Fund and all major special revenue funds. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

General Fund revenues of \$12,788,689, on a budgetary basis, were less than the budget of \$18,137,308 by \$5,348,619. The variance in budget to actual numbers related primarily to \$4 million in revenues budgeted as "contingency". The city utilizes this category as a contingency to account for potential revenues such as unexpected grant revenues. Additionally budgeted grants of approximately \$761,702 were not received in the fiscal year.

Annual expenditures for the General Fund (excluding transfers) of \$11,141,974 were approximately 83% of the budgeted expenditures of \$13,419,795, a variance of \$2,277,821. The variance in budget to actual numbers resulted from nearly every department of the City spending less than they were budgeted.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital Assets include equipment, vehicles, buildings, land, park facilities, roads, and assets used to provide water, wastewater, electric, gas, and other services to the City's citizens. At the end of fiscal year 2015, net capital assets of the government activities totaled \$37.76 million and the net capital assets of the business-type activities totaled \$59.59 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

### **Debt**

At year-end, the City had \$23.85 million in governmental type debt, and \$14.82 million in business-type debt. During the current fiscal year the City had significant debt activity which is explained in greater detail in note 7 and note 16 of the financial statements. In addition, the City added its respective share of the net pension liability due to the implementation of GASB statement no. 68. The City's total net pension liability at June 30, 2015 was \$18,089,917.

## **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

The adopted combined operating and capital expenditure budget for fiscal year 2015-16 totals \$49.8 million, an increase of \$1.53 million or approximately 3.2% more than fiscal year 2014-15.

The increase in the fiscal year 2015-16 budget is primarily driven by an increase in budgeted grant funded capital expenditures including improvements to the City's airport and other capital projects.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the government's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to: City of Safford, Financial Services Department, P.O. Box 272, Safford, AZ 85548, or call (928) 432-4032.

Or visit our website at: <http://www.cityofsafford.us/> or email: [aflores@ci.safford.az.us](mailto:aflores@ci.safford.az.us)

**BASIC FINANCIAL STATEMENTS**

**CITY OF SAFFORD, ARIZONA**  
**Statement of Net Position**  
**June 30, 2015**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 7,622,278	\$ 20,163,070	\$ 27,785,348
Receivables (net of allowance)	876,456	1,998,976	2,875,432
Inventory	140	1,315,083	1,315,223
Prepaid items	77,071	138,120	215,191
Temporarily restricted assets:			
Cash and cash equivalents	33,480	1,425,560	1,459,040
Capital assets (net of accumulated depreciation):			
Land	2,716,356	-	2,716,356
Infrastructure	16,198,360	50,475,042	66,673,402
Buildings and improvements	3,229,483	-	3,229,483
Improvements other than buildings	8,723,214	54,606	8,777,820
Machinery, equipment and vehicles	5,346,989	132,584	5,479,573
Construction in progress	1,548,808	8,926,281	10,475,089
Total assets	<u>46,372,635</u>	<u>84,629,322</u>	<u>131,001,957</u>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	364,741	-	364,741
Deferred outflows related to pensions	2,576,427	759,398	3,335,825
Total deferred outflows of resources	<u>2,941,168</u>	<u>759,398</u>	<u>3,700,566</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	532,286	845,071	1,377,357
Interest payable	53,220	-	53,220
Deposits held for others	-	1,146,391	1,146,391
Unearned revenue	11,482	-	11,482
Noncurrent liabilities:			
Landfill closure and post closure payable	-	6,404,732	6,404,732
Due within one year	1,172,863	1,044,150	2,217,013
Due in more than one year	22,672,972	13,775,825	36,448,797
Total liabilities	<u>24,442,823</u>	<u>23,216,169</u>	<u>47,658,992</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions	1,011,775	851,535	1,863,310
<b>Net Position</b>			
Net investment in capital assets	29,106,750	50,465,095	79,571,845
Restricted for:			
Highways and streets	2,726,526	-	2,726,526
Public Safety	25,211	-	25,211
Debt service	33,480	279,169	312,649
Unrestricted	(8,032,762)	10,576,752	2,543,990
Total net position	<u>\$ 23,859,205</u>	<u>\$ 61,321,016</u>	<u>\$ 85,180,221</u>

The accompanying notes are an integral part of the financial statements.



**CITY OF SAFFORD, ARIZONA**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 4,049,819	\$ 3,521,623	\$ 45,248	\$ -	\$ (482,948)	\$ -	\$ (482,948)
Public safety	5,400,353	449,031	574,544	-	(4,376,778)	-	(4,376,778)
Highways and streets	3,810,291	-	682,307	1,420,526	(1,707,458)	-	(1,707,458)
Sanitation	1,376,403	1,082,649	-	-	(293,754)	-	(293,754)
Culture and recreation	1,736,943	60,870	55,181	201,727	(1,419,165)	-	(1,419,165)
Economic and community development	809,809	128,302	-	263,624	(417,883)	-	(417,883)
Interest on long-term debt	306,319	-	-	-	(306,319)	-	(306,319)
Total governmental activities	17,489,937	5,242,475	1,357,280	1,885,877	(9,004,305)	-	(9,004,305)
<b>Business-type activities:</b>							
Landfill	1,216,987	1,378,984	-	-	-	161,997	161,997
Water	3,719,188	5,178,135	-	239,052	-	1,697,999	1,697,999
Wastewater	2,610,848	2,360,493	-	2,717,904	-	2,467,549	2,467,549
Gas	2,398,442	2,587,113	-	-	-	188,671	188,671
Electric	7,365,054	9,008,151	-	-	-	1,643,097	1,643,097
Total business-type activities	17,310,519	20,512,876	-	2,956,956	-	6,159,313	6,159,313
Total primary government	\$ 34,800,456	\$ 25,755,351	\$ 1,357,280	\$ 4,842,833	(9,004,305)	6,159,313	(2,844,992)
General Revenues:							
Taxes:							
Property tax					233,033	-	233,033
City sales tax					6,001,019	-	6,001,019
Franchise tax					886,797	-	886,797
Auto fee in lieu tax					506,991	-	506,991
State sales tax					859,512	-	859,512
State revenue sharing					1,158,024	-	1,158,024
Unrestricted investment earnings					1,228	28,624	29,852
Gain on sale of capital assets					69,986	-	69,986
Other					217,639	-	217,639
Total general revenues & transfers					9,934,229	28,624	9,962,853
Change in net position					929,924	6,187,937	7,117,861
Net position - beginning					33,869,018	59,992,891	93,861,909
Restatement adjustment					(10,939,737)	(4,859,812)	(15,799,549)
Net position - ending					\$ 23,859,205	\$ 61,321,016	\$ 85,180,221

The accompanying notes are an integral part of the financial statements.

**CITY OF SAFFORD, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

<b>Assets</b>	General Fund	Highway User Revenue Fund	Non-major Funds	Total Governmental Funds
Cash and cash equivalents	\$ 2,047,768	\$ 2,647,144	\$ 71,456	\$ 4,766,368
Receivables:				
Other	250,965	-	-	250,965
Intergovernmental	489,543	135,448	-	624,991
Prepaid items	43,753	9,320	-	53,073
Restricted cash and cash equivalents	-	-	33,480	33,480
<b>Total assets</b>	<b>\$ 2,832,029</b>	<b>\$ 2,791,912</b>	<b>\$ 104,936</b>	<b>\$ 5,728,877</b>
<b>Liabilities</b>				
Accounts payable	\$ 209,944	\$ 37,755	\$ 746	\$ 248,445
Accrued wages and benefits	235,255	18,311	-	253,566
Unearned revenue	22,245	-	1,482	23,727
<b>Total liabilities</b>	<b>467,444</b>	<b>56,066</b>	<b>2,228</b>	<b>525,738</b>
<b>Fund Balances:</b>				
Nonspendable	43,753	9,320	-	53,073
Restricted for:				
Public safety - Magistrate	-	-	25,211	25,211
Highways and streets	-	2,726,526	-	2,726,526
Capital outlay	-	-	33,480	33,480
Assigned to:				
Debt service	-	-	44,017	44,017
Unassigned	2,320,832	-	-	2,320,832
<b>Total fund balances</b>	<b>2,364,585</b>	<b>2,735,846</b>	<b>102,708</b>	<b>5,203,139</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 2,832,029</b>	<b>\$ 2,791,912</b>	<b>\$ 104,936</b>	<b>\$ 5,728,877</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAFFORD, ARIZONA**  
**Reconciliation of Total Governmental Fund Balances**  
**To Net Position of Governmental Activities**  
**June 30, 2015**

Total governmental fund balances	\$	5,203,139
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 53,053,037	
Less accumulated depreciation	<u>(20,470,031)</u>	32,583,006
<p>Internal service funds are used by management to charge the cost of certain activities to individual funds. Certain assets and liabilities, net of internal balances, of the Interagency Motor Pool Fund are included in governmental activities in the Statement of Net Position.</p>		
		7,224,599
<p>Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Bonds payable	\$ (8,580,000)	
Deferred charge on refunding	364,741	
Interest payable	(53,220)	
Compensated absences	(584,963)	
OPEB obligations	(996,072)	
Net pension liabilities	<u>(12,885,265)</u>	(22,734,779)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.</p>		
Deferred outflows	\$ 2,524,170	
Deferred inflows	<u>(953,177)</u>	1,570,993
<p>Delinquent property taxes receivable are not current financial resources and are therefore classified as unearned revenue in the funds, however these amounts are recognized as revenue in the governmental activities.</p>		
		<u>12,247</u>
Total net position of governmental activities	\$	<u><u>23,859,205</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAFFORD, ARIZONA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

<b>REVENUES</b>	General Fund	Highway User Revenue Fund	Non-major Funds	Totals (Memorandum Only)
Taxes	\$ 6,027,200	\$ 1,087,551	\$ -	\$ 7,114,751
Licenses, permits and fees	67,153	-	-	67,153
Intergovernmental revenue	3,596,822	682,307	1,445,792	5,724,921
Charges for services	2,973,261	-	-	2,973,261
Fines and forfeitures	72,108	-	4,331	76,439
Interest	6,097	-	-	6,097
Other revenues	46,048	171,587	-	217,635
Total revenues	<u>12,788,689</u>	<u>1,941,445</u>	<u>1,450,123</u>	<u>16,180,257</u>
 <b>EXPENDITURES</b>				
Current:				
General government	2,680,794	-	-	2,680,794
Public safety	4,589,068	-	5,323	4,594,391
Highways and streets	-	1,407,704	-	1,407,704
Sanitation	1,211,749	-	-	1,211,749
Culture and recreation	1,492,951	-	22,781	1,515,732
Economic and community development	414,847	-	-	414,847
Capital outlay	675,823	208,901	2,101,734	2,986,458
Debt service:				
Principal	64,281	-	1,514,599	1,578,880
Interest and fiscal charges	12,461	-	362,653	375,114
Total expenditures	<u>11,141,974</u>	<u>1,616,605</u>	<u>4,007,090</u>	<u>16,765,669</u>
Excess of revenues				
Over (Under) Expenditures	<u>1,646,715</u>	<u>324,840</u>	<u>(2,556,967)</u>	<u>(585,412)</u>
 <b>Other Financing Sources (Uses):</b>				
Debt issued	-	-	7,620,000	7,620,000
Payment to refunded bond escrow agent	-	-	(5,686,777)	(5,686,777)
Sale of capital assets	140,120	-	-	140,120
Transfers out	(702,734)	-	-	(702,734)
Transfers in	-	-	702,734	702,734
Total other financing Sources (Uses)	<u>(562,614)</u>	<u>-</u>	<u>2,635,957</u>	<u>2,073,343</u>
Net change in fund balances	1,084,101	324,840	78,990	1,487,931
Fund balances, beginning of year	<u>1,280,484</u>	<u>2,411,006</u>	<u>23,718</u>	<u>3,715,208</u>
Fund balances, end of year	<u>\$ 2,364,585</u>	<u>\$ 2,735,846</u>	<u>\$ 102,708</u>	<u>\$ 5,203,139</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAFFORD, ARIZONA**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balance of Governmental Funds**  
**To The Statement of Activities**  
**For the Year Ended June 30, 2015**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds		\$ 1,487,931
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current period.</p>		
Capital outlay	\$ 1,273,282	
Depreciation expense	<u>(1,366,972)</u>	(93,690)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources in the governmental funds but increases long-term liabilities in the statement of net position.</p>		
		(7,620,000)
<p>Repayment of long-term debt (e.g., bonds, leases) principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		6,887,481
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Compensated absences	\$ (50,877)	
OPEB obligations	<u>(134,976)</u>	(185,853)
<p>Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflow and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
Pension contributions	\$ 1,119,265	
Pension expense	<u>(1,828,224)</u>	(708,959)
<p>Governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas the amounts are deferred and amortized in the statement activities.</p>		
Bond premium	\$ 152,541	
Deferred charge on refunding	<u>364,741</u>	517,282
<p>Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.</p>		
		(53,219)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the Interagency Motor Pool is reported with governmental activities.</p>		
		698,951
Change in net position of governmental activities		<u><u>\$ 929,924</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAFFORD, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	Business-type Activities - Enterprise Funds			
	Landfill	Water	Wastewater	Gas
<b>Assets</b>				
Current Assets:				
Cash and investments	\$ 1,079,623	\$ 1,680,692	\$ 5,484,575	\$ 1,442,327
Receivables (net of allowance)				
Accounts receivable	97,084	558,591	226,098	150,124
Intergovernmental	-	-	-	-
Inventories	-	-	-	-
Prepaid items	8,136	26,506	12,431	26,910
<b>Total current assets</b>	<b>1,184,843</b>	<b>2,265,789</b>	<b>5,723,104</b>	<b>1,619,361</b>
Noncurrent Assets:				
Restricted cash and investments	49,073	464,977	236,758	243,357
Capital Assets:				
Infrastructure	389,718	41,372,368	27,297,305	5,421,521
Buildings and improvements	-	-	-	-
Improvements other than buildings	-	-	-	-
Machinery, equipment and vehicles	-	-	-	-
Construction in progress	5,927	6,587,559	87,008	516,954
Accumulated depreciation	(241,021)	(18,497,187)	(8,852,783)	(3,358,827)
<b>Total capital assets</b>	<b>154,624</b>	<b>29,462,740</b>	<b>18,531,530</b>	<b>2,579,648</b>
<b>Total noncurrent assets</b>	<b>203,697</b>	<b>29,927,717</b>	<b>18,768,288</b>	<b>2,823,005</b>
<b>Total Assets</b>	<b>1,388,540</b>	<b>32,193,506</b>	<b>24,491,392</b>	<b>4,442,366</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to pensions	35,794	165,522	91,503	87,901
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	99,503	77,292	76,919	77,053
Accrued payroll and employee benefits	12,124	34,098	13,657	15,275
Deposits held for others	49,073	313,936	108,630	243,357
Bonds payable - current	-	-	-	-
Leases payable - current	-	-	-	-
Loans payable - current	-	621,893	92,084	-
Compensated absences - current	10,534	48,969	27,691	22,676
<b>Total current liabilities</b>	<b>171,234</b>	<b>1,096,188</b>	<b>318,981</b>	<b>358,361</b>
Noncurrent liabilities:				
Bonds payable, net of current portion	-	-	-	-
Leases payable, net of current portion	-	-	-	-
Loans payable, net of current portion	-	4,734,192	1,360,249	-
Compensated absences, net of current portion	4,514	20,987	11,868	9,718
Post employment benefits	35,128	266,061	61,362	80,265
Net pension liability	229,524	1,061,390	586,753	563,656
Landfill closure and postclosure payable	6,404,732	-	-	-
<b>Total noncurrent liabilities</b>	<b>6,673,898</b>	<b>6,082,630</b>	<b>2,020,232</b>	<b>653,639</b>
<b>Total liabilities</b>	<b>6,845,132</b>	<b>7,178,818</b>	<b>2,339,213</b>	<b>1,012,000</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to pensions	40,137	185,604	102,605	98,566
<b>Net Position</b>				
Net investment in capital assets	154,624	24,106,655	17,079,197	2,579,648
Restricted for debt service	-	151,041	128,128	-
Unrestricted	(5,615,559)	736,910	4,933,752	840,053
<b>Total net position</b>	<b>\$ (5,460,935)</b>	<b>\$ 24,994,606</b>	<b>\$ 22,141,077</b>	<b>\$ 3,419,701</b>

The accompanying notes are an integral part of the financial statements.

		Governmental Activities	
Electric	Totals	Internal Service Funds	
\$ 9,226,509	\$ 18,913,726	\$ 4,105,254	
967,079	1,998,976	-	
-	-	500	
-	-	1,315,223	
37,095	111,078	51,040	
<u>10,230,683</u>	<u>21,023,780</u>	<u>5,472,017</u>	
431,395	1,425,560	-	
13,482,457	87,963,369	-	
-	-	407,867	
-	-	68,677	
-	-	12,903,084	
1,728,833	8,926,281	-	
<u>(6,538,507)</u>	<u>(37,488,325)</u>	<u>(8,012,236)</u>	
<u>8,672,783</u>	<u>59,401,325</u>	<u>5,367,392</u>	
9,104,178	60,826,885	5,367,392	
<u>19,334,861</u>	<u>81,850,665</u>	<u>10,839,409</u>	
<u>129,773</u>	<u>510,493</u>	<u>301,162</u>	
187,579	518,346	237,138	
18,198	93,352	26,512	
431,395	1,146,391	-	
135,000	135,000	-	
-	-	157,122	
-	713,977	-	
36,965	146,835	64,605	
<u>809,137</u>	<u>2,753,901</u>	<u>485,377</u>	
2,180,000	2,180,000	-	
-	-	284,079	
-	6,094,441	-	
15,841	62,928	27,687	
105,368	548,184	-	
832,155	3,273,478	1,931,174	
-	6,404,732	-	
<u>3,133,364</u>	<u>18,563,763</u>	<u>2,242,940</u>	
<u>3,942,501</u>	<u>21,317,664</u>	<u>2,728,317</u>	
<u>145,518</u>	<u>572,430</u>	<u>337,703</u>	
6,357,783	50,277,907	4,926,191	
-	279,169	-	
<u>9,018,832</u>	<u>9,913,988</u>	<u>3,148,360</u>	
<u>\$ 15,376,615</u>	<u>\$ 60,471,064</u>	<u>\$ 8,074,551</u>	

The accompanying notes are an integral part of the financial statements.

**CITY OF SAFFORD, ARIZONA**  
**Reconciliation of the Statement of Net Position – Proprietary Funds**  
**To the Statement of Net Position – Business-type Activities**  
**June 30, 2015**

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Total net position of proprietary funds \$ 60,471,064

Internal service funds are used by management to charge the cost of certain activities to individual funds, therefore, certain assets and liabilities, net of internal balances, are included in the business-type activities on the Statement of Net Position

Warehousing Fund	\$ 1,254,303	
Administrative Services Fund	70,684	
Engineering Services Fund	<u>(475,035)</u>	
		849,952

Total net position of business-type activities \$ 61,321,016

The accompanying notes are an integral part of the financial statements.



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**CITY OF SAFFORD, ARIZONA**  
**Statement Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Business-type Activities - Enterprise Funds			
	Landfill	Water	Wastewater	Gas
<b>Operating Revenues</b>				
Charges for services	\$ 1,307,474	\$ 5,176,825	\$ 2,353,867	\$ 2,587,113
Other income	71,510	1,310	6,626	-
Total operating revenues	<u>1,378,984</u>	<u>5,178,135</u>	<u>2,360,493</u>	<u>2,587,113</u>
<b>Operating Expenses</b>				
Contract services	523,224	923,380	364,295	545,070
Gas and power purchases	-	-	-	931,249
Depreciation	39,211	910,839	639,884	93,213
Franchise taxes	-	248,202	-	130,405
Insurance	30,585	39,259	23,659	132,173
Miscellaneous	20,688	64,259	106,818	9,310
Outside services	55,838	6,788	-	-
Professional fees	203,729	66,007	596,130	4,738
Rental	60,000	201	22,367	1,155
Salaries, wages, and benefits	184,785	962,924	488,417	478,494
Supplies	87,433	564,686	31,578	63,814
Utilities	11,494	118,576	289,024	8,821
Total operating expenses	<u>1,216,987</u>	<u>3,905,121</u>	<u>2,562,172</u>	<u>2,398,442</u>
Operating income (loss)	<u>161,997</u>	<u>1,273,014</u>	<u>(201,679)</u>	<u>188,671</u>
<b>Non-operating Revenues (Expenses)</b>				
Investment earnings	1,539	932	2,181	3,166
Interest and fiscal charges	-	(166,384)	(48,676)	-
Gain (loss) on sale of assets	-	-	-	-
Total non-operating revenue (expense)	<u>1,539</u>	<u>(165,452)</u>	<u>(46,495)</u>	<u>3,166</u>
Income before contributions and transfers	163,536	1,107,562	(248,174)	191,837
Capital contributions	-	239,052	2,717,904	-
Change in net position	163,536	1,346,614	2,469,730	191,837
Net position, beginning of year	(5,395,407)	24,707,258	20,256,926	3,790,392
Restatement adjustment	(229,064)	(1,059,266)	(585,579)	(562,528)
Net position, end of year	<u>\$ (5,460,935)</u>	<u>\$ 24,994,606</u>	<u>\$ 22,141,077</u>	<u>\$ 3,419,701</u>

The accompanying notes are an integral part of the financial statements.

		Governmental Activities	
Electric	Totals	Internal Service Funds	
\$ 8,921,680	\$ 20,346,959	\$ 5,021,898	
86,471	165,917	547	
<u>9,008,151</u>	<u>20,512,876</u>	<u>5,022,445</u>	
693,586	3,049,555	37,557	
4,278,171	5,209,420	-	
483,566	2,166,713	697,726	
443,087	821,694	-	
63,600	289,276	78,627	
37,307	238,382	397,986	
-	62,626	173,625	
224,652	1,095,256	82,390	
4,021	87,744	72,834	
665,833	2,780,453	1,823,016	
340,901	1,088,412	420,775	
16,964	444,879	100,643	
<u>7,251,688</u>	<u>17,334,410</u>	<u>3,885,179</u>	
<u>1,756,463</u>	<u>3,178,466</u>	<u>1,137,266</u>	
20,806	28,624	1,228	
(113,366)	(328,426)	(17,091)	
-	-	(70,136)	
<u>(92,560)</u>	<u>(299,802)</u>	<u>(85,999)</u>	
1,663,903	2,878,664	1,051,267	
-	2,956,956	-	
1,663,903	5,835,620	1,051,267	
14,543,202	57,902,371	8,950,593	
<u>(830,490)</u>	<u>(3,266,927)</u>	<u>(1,927,309)</u>	
<u>\$ 15,376,615</u>	<u>\$ 60,471,064</u>	<u>\$ 8,074,551</u>	

The accompanying notes are an integral part of the financial statements.

**CITY OF SAFFORD, ARIZONA**  
**Reconciliation of the Statement of Revenues, Expenses, and**  
**Changes in Net Position – Proprietary Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2015**

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Change in net position of total proprietary funds \$ 5,835,620

Internal service funds are used by management to charge the cost of certain activities to individual funds, therefore, the change in net position is included in the business-type activities on the Statement of Activities

Warehousing Fund	\$ (96,499)	
Administrative Services Fund	335,007	
Engineering Services Fund	113,809	
	<u>352,317</u>	

Change in net position of business-type activities \$ 6,187,937

The accompanying notes are an integral part of the financial statements.

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**CITY OF SAFFORD, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Business-Type Activities - Enterprise Funds			
	Landfill	Water	Wastewater	Gas
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers	\$ 1,373,301	\$ 5,654,608	\$ 2,388,713	\$ 2,589,839
Cash paid to suppliers	(919,619)	(2,109,330)	(1,424,687)	(1,790,792)
Cash paid to employees	(186,451)	(918,466)	(472,199)	(451,062)
Cash flows from operating activities	<u>267,231</u>	<u>2,626,812</u>	<u>491,827</u>	<u>347,985</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Proceeds from the sale of assets	-	-	-	-
Capital grants	-	239,052	2,717,904	-
Purchase of capital assets	(3,314)	(2,076,038)	(157,323)	(233,426)
Debt proceeds	-	175,000	-	-
Principal paid on long term debt	-	(605,670)	(89,265)	-
Interest paid	-	(166,384)	(48,676)	-
Cash flows from capital and related financing activities	<u>(3,314)</u>	<u>(2,434,040)</u>	<u>2,422,640</u>	<u>(233,426)</u>
<b>Cash Flows From Investing Activities:</b>				
Interest on investments	<u>1,539</u>	<u>932</u>	<u>2,181</u>	<u>3,166</u>
Net change in cash and cash equivalents	265,456	193,704	2,916,648	117,725
Cash and cash equivalents, including temporarily restricted cash, beginning of year	<u>863,240</u>	<u>1,951,965</u>	<u>2,804,685</u>	<u>1,567,959</u>
<b>Cash and cash equivalents, including temporarily restricted cash, end of year</b>	<u><u>\$ 1,128,696</u></u>	<u><u>\$ 2,145,669</u></u>	<u><u>\$ 5,721,333</u></u>	<u><u>\$ 1,685,684</u></u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:				
Net operating income/(loss)	\$ 161,997	\$ 1,273,014	\$ (201,679)	\$ 188,671
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:				
Depreciation/amortization	39,211	910,839	639,884	93,213
Pension expense	19,294	89,220	49,323	47,381
Employer pension contributions	(14,492)	(67,014)	(37,046)	(35,590)
Changes in operating assets and liabilities:				
(Increase)/Decrease in receivables	(1,428)	484,204	24,874	17,192
(Increase)/Decrease in inventory	-	-	-	-
(Increase)/Decrease in prepaid items	81	291	(374)	(1,406)
Increase/(Decrease) in accounts payable	55,674	(78,263)	9,558	37,349
Increase/(Decrease) in accrued payroll and employee benefits	(6,468)	22,252	3,941	15,641
Increase/(Decrease) in deposits held for others	(4,255)	(7,731)	3,346	(14,466)
Increase/(Decrease) in post closure costs	17,617	-	-	-
Net cash flows from operating activities	<u><u>\$ 267,231</u></u>	<u><u>\$ 2,626,812</u></u>	<u><u>\$ 491,827</u></u>	<u><u>\$ 347,985</u></u>

The accompanying notes are an integral part of the financial statements.

		Governmental Activities	
Electric	Totals	Internal Service Funds	
\$ 9,050,990	\$ 21,057,451	\$ 5,022,270	
(6,631,519)	(12,875,947)	(1,047,651)	
(637,820)	(2,665,998)	(1,828,970)	
<u>1,781,651</u>	<u>5,515,506</u>	<u>2,145,649</u>	
-	-	107,779	
-	2,956,956	-	
(915,114)	(3,385,215)	(1,225,615)	
-	175,000	-	
(130,000)	(824,935)	(170,369)	
(113,366)	(328,426)	(17,091)	
<u>(1,158,480)</u>	<u>(1,406,620)</u>	<u>(1,305,296)</u>	
<u>20,806</u>	<u>28,624</u>	<u>1,228</u>	
643,977	4,137,510	1,241,581	
<u>9,013,927</u>	<u>16,201,776</u>	<u>2,863,673</u>	
<u>\$ 9,657,904</u>	<u>\$ 20,339,286</u>	<u>\$ 4,105,254</u>	
\$ 1,756,463	\$ 3,178,466	\$ 1,137,266	
483,566	2,166,713	697,726	
69,951	275,169	162,338	
(52,541)	(206,683)	(121,931)	
33,858	558,700	(175)	
-	-	236,034	
(852)	(2,260)	6,302	
(528,378)	(504,060)	74,450	
10,603	45,969	(46,361)	
8,981	(14,125)	-	
-	17,617	-	
<u>\$ 1,781,651</u>	<u>\$ 5,515,506</u>	<u>\$ 2,145,649</u>	

The accompanying notes are an integral part of the financial statements.

**CITY OF SAFFORD, ARIZONA**  
**Statement of Fiduciary Net Position**  
**Pension Trust Fund**  
**June 30, 2015**

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	<u>Pension Trust</u>
<b>ASSETS</b>	
Cash	\$ 748,680
Accounts receivable	<u>-</u>
Total assets	<u>748,680</u>
<b>NET POSITION</b>	
Held in trust	<u>748,680</u>
Total net position	<u><u>\$ 748,680</u></u>

The accompanying notes are an integral part of the financial statements.



**CITY OF SAFFORD, ARIZONA**  
**Statement of Changes in Fiduciary Net Position**  
**Pension Trust Fund**  
**For the Year Ended June 30, 2015**

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	<u>Pension Trust</u>
<b>Additions:</b>	
Investment income	\$ 6,815
Participant contributions	<u>47,361</u>
Total additions	<u>54,176</u>
<b>Deductions:</b>	
Distributions	<u>43,113</u>
Total deductions	<u>43,113</u>
<b>Change in net position</b>	11,063
Net position - beginning	<u>737,617</u>
Net position - ending	<u><u>\$ 748,680</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 1. Summary of Significant Accounting Policies**

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**Description of government-wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**Reporting entity**

The City of Safford, Arizona (the City) is a municipal corporation governed by an elected mayor and council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of a primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. There are no component units combined with the City for financial reporting purposes and the City is not included in any other governmental reporting entity.

**Basis of presentation – government-wide financial statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Basis of presentation – fund financial statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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The government reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Highway User Revenue Fund** is used to account for the City's share of motor fuel tax revenues which are restricted for the maintaining, repairing, and upgrading of streets.

The City reports the following major proprietary funds:

The **Water Fund** accounts for all operations of the water system.

The **Wastewater Fund** accounts for all operations of the wastewater system.

The **Gas Fund** accounts for all operations of the gas system.

The **Landfill Fund** accounts for all operations of the landfill.

The **Electric Fund** accounts for all operations of the electric system.

Additionally, the City reports the following fund types:

Proprietary Funds – The Proprietary Funds include major utilities funds noted above and the Internal Service Funds established to account for financing of goods and services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The Internal Service Funds consist of the Interagency Motor Pool, Warehousing, Administration Services, and Engineering Services Funds.

Fiduciary Fund – The Fiduciary Fund is an Agency Fund which accounts for resources held by the City on behalf of others and includes the Volunteer Firefighter's Relief and Pension Trust Fund accounts for the contributions to and earnings of the volunteer firefighter's pension trust.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**Measurement focus and basis of accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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The proprietary and internal service funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The pension trust fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

***Cash and cash equivalents***

The City's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition for purposes of this note and the statement of cash flows.

***Investments***

The City's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's investment pool, obligations of the U.S. Government and other investments as allowed by Arizona State Statutes. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices. The reported value of the state treasurer's pool is the same as the fair value of the pool shares.

***Inventories and Prepaid Items***

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories of the business type activities consist principally of materials used in the repair of the distribution, collection and treatment systems and are valued at cost using the average cost method. The cost of such inventories is recorded as expense when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditure/expenses when consumed rather than when purchased.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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Depreciation is computed using the straight-line method over estimated useful lives of the assets as follows:

Buildings	50 years
Buildings improvements	20 years
Improvements other than buildings	20 years
Public domain infrastructure	35 to 50 years
System infrastructure	30 years
Vehicles	5-7 years
Machinery and equipment	5 years

***Deferred outflows/inflows of resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government has two types of items that qualify for reporting in this category. The first item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is pension related items reported on the government-wide, proprietary fund, and internal service fund financial statements. See footnote 11 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualify for reporting in this category. The first item, which arises only under a modified accrual basis of accounting, is *unavailable revenue* and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from only one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is pension related items reported on the government-wide, proprietary fund, and internal service fund financial statements. See footnote 11 for more information.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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*Net position flow assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

*Fund balance flow assumptions*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund balance policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the city manager to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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**Revenues and expenditures/expenses**

*Program revenues*

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

*Property taxes*

Property taxes are levied by the City and collected by the Graham County Treasurer. Property taxes are levied no later than the third Monday in August and are payable in two installments due October 1 of the current year and March 1 of the subsequent year. Taxes become delinquent after the first business day of November and May, respectively. Interest attaches on installments after the delinquency date.

Pursuant to A.R.S. a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however, according to case law, an enforceable legal claim to the asset does not arise.

The State Constitution and State law specify a property tax levy limitation system. The system consists of two levies, a limited levy known as the primary property tax levy and an unlimited levy referred to as the secondary levy, which may only be used to retire bonded indebtedness.

The primary tax levy is limited to an increase of 2 percent over the previous year's maximum allowable primary levy, plus an increased dollar amount because of a net gain in property not taxed the previous year. Also, the primary property tax from all taxing jurisdictions for homeowners may not exceed 1 percent of the market value of their homes. If the combined primary property tax (for the City, County, School District, etc.) exceeds 1 percent of the market value of the homes, the school districts will reduce their rate until the homeowners' aggregate rate is equal to or less than the allowable 1 percent. The State will then subsidize the school districts for the reduced revenue. This 1 percent limitation applies to primary property taxes only and does not affect the secondary property tax levy.

There is also a control on the assessed value of property for primary tax purposes. The base year for the new tax system is fiscal year 1978-79. From this base year, two assessed values evolve. The primary assessed values are allowed to increase by no more than 10 percent a year. The dollar amount of the secondary property tax levy is "unlimited" and the actual full cash value of property is used in determining the tax rate.



**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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***Compensated Absences***

The City's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. Vacation benefits vest immediately at the employee's current rate of pay. Sick leave benefits vest at one half the hours accumulated at the employee's current rate of pay after six or more years of service, and one fourth (25%) the hours accumulated with a minimum of one, but no more than five years of service. The current and long-term liabilities for accumulated vacation and sick leave are reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

***Proprietary funds operating and nonoperating revenues and expenses***

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the gas fund, water fund, sewer fund, electric fund, and refuse fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**New pronouncements**

For the year ended June 30, 2015, the Town implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. Implementation of these new Statements resulted in a restatement of beginning net position in the Town's government-wide and proprietary fund financial statements (see Note 13).

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 2. Reconciliation of Government-Wide and Fund Financial Statements**

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The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 17.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 19.

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**Note 3. Stewardship, Compliance and Accountability**

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Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the City. The use of budgets and monitoring of equity status facilitate the City's compliance with legal requirements.

**Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the City is legally enacted through passage of a resolution. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. The City follows a permanent base increase, voter-approved expenditure limitation that was adopted in May 2008.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 3. Stewardship, Compliance and Accountability, Continued**

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5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds. The City Council has adopted a budget transfer policy and all amendments must be done in accordance with this policy.
6. The City has adopted budgets in accordance with A.R.S. requirements and utilizes the budgets as a management control device during the year for the General, Special Revenue, Capital Projects and Proprietary funds.

The City is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the City to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The City complied with this law during the year. No supplementary budgetary appropriations were made during the year ended June 30, 2015.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation for future years, is not employed by the City.

**Expenditures over Appropriations**

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual report as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2015, if any.

**Highway User Revenue Funds**

Highway user revenue fund monies received by the City pursuant to title 28, chapter 18, article 2 and other dedicated state transportation revenues received during the current fiscal year have been used solely for authorized transportation purposes.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 4. Deposits and Investments**

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A reconciliation of cash and investments as shown on the statement of net position is as follows:

Cash and cash equivalents	\$ 27,785,348
Restricted cash and cash equivalents	1,459,040
Fiduciary fund monies	748,680
	<u>\$ 29,993,068</u>

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2015, the City's bank balance of \$11,102,044 was fully insured or collateralized. Of the total bank balance, \$9,950,415 was held in a checking account. Each night the funds in this account are transferred into an interest bearing account. The funds are then transferred back to the checking account each morning.

**Investments**

The Arizona State Treasurer's Office operates the Local Government Investment Pool (LGIP). The LGIP is available for investment of funds administered by any Arizona Public Treasurer.

The LGIP is not registered with the SEC as an investment company. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments.

The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investment in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated "P1" by Moody's investors or "A1" by Standard and Poor's rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 4. Deposits and Investments, Continued**

As of June 30, 2015 the City had the following deposits, investments, ratings, and maturities:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
Deposits:			
Cash on deposit	\$ 10,155,775	N/A	N/A
Cash on hand	900	N/A	N/A
Investments:			
Certificate of deposit	13,000	N/A	< 1 year
Money market - U.S. Treasuries	1,251,316	AA+	< 1 year
Local Governments Investment Pool #5	17,044,165	AAA	0.13 years
Local Governments Investment Pool #700	<u>1,527,912</u>	AAA	2.16 years
Total cash and investments	<u>\$ 29,993,068</u>		

- (1) Ratings are provided where applicable to indicate associated credit risk. The City's investment in the State Treasurer's Investment Pool #5 was rated AAAF/S1+ by Standard and Poor's. The City's investment in the State Treasurer's Pool #700 was rated AA+ by Standard and Poor's.
- (2) Interest rate risk is estimated using the weighted average days to maturity, when applicable.

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (A.R.S. 35- 323). A.R.S. 35-323 requires that the City's investment portfolio maturities do not exceed five years from the time of purchase.

**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have a specific policy related to credit risk; however, the City's policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323). A.R.S. 35-323 limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 5.        Restricted Assets**

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Restricted assets consisted of the following cash reserves at June 30, 2015:

<u>Restricted Cash</u>	
Debt Service Fund	
Unspent debt proceeds	\$     33,480
Proprietary Funds:	
Landfill fund - deposits held for others	49,073
Water fund - debt reserves and deposits held for others	464,977
Wastewater fund - debt reserves and deposits held for others	236,758
Gas fund - deposits held for others	243,357
Electric fund - deposits held for others	431,395
	<hr/>
Subtotal	1,459,040
Pension Trust Fund	748,680
	<hr/>
Total restricted cash	<u><u>\$ 2,207,720</u></u>

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**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 6. Capital Assets**

The following table summarizes the changes to capital assets for governmental activities during the year:

<b>Governmental Activities:</b>	<b>Balance 6/30/2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Reclassifications</b>	<b>Balance 6/30/2015</b>
Capital assets, not being depreciated:					
Land	\$ 2,716,356	\$ -	\$ -	\$ -	\$ 2,716,356
Construction in progress	2,954,658	782,499	(31,591)	(2,156,758)	1,548,808
Total capital assets, not being depreciated	<u>5,671,014</u>	<u>782,499</u>	<u>(31,591)</u>	<u>(2,156,758)</u>	<u>4,265,164</u>
Capital assets, being depreciated:					
Buildings and improvements	6,296,271	-	-	63,063	6,359,334
Improvements other than buildings	12,905,209	41,644	-	2,093,695	15,040,548
Machinery, equipment and vehicles	12,649,544	1,306,475	(832,060)	-	13,123,959
Infrastructure	26,379,800	378,755	-	-	26,758,555
Total capital assets, being depreciated	<u>58,230,824</u>	<u>1,726,874</u>	<u>(832,060)</u>	<u>2,156,758</u>	<u>61,282,396</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,992,400)	(137,451)	-	-	(3,129,851)
Improvements other than buildings	(5,822,689)	(494,645)	-	-	(6,317,334)
Machinery, equipment and vehicles	(7,754,420)	(676,695)	654,145	-	(7,776,970)
Infrastructure	(9,852,158)	(708,037)	-	-	(10,560,195)
Total accumulated depreciation	<u>(26,421,667)</u>	<u>(2,016,828)</u>	<u>654,145</u>	<u>-</u>	<u>(27,784,350)</u>
Total capital assets, being depreciated, net	<u>31,809,157</u>	<u>(289,954)</u>	<u>(177,915)</u>	<u>2,156,758</u>	<u>33,498,046</u>
Governmental activities capital assets, net	<u>\$ 37,480,171</u>	<u>\$ 492,545</u>	<u>\$ (209,506)</u>	<u>\$ -</u>	<u>\$ 37,763,210</u>

Depreciation expense was charged to the functions/programs of the City as follows:

<b>Governmental Activities:</b>	
General government	\$ 77,870
Public safety	16,833
Public works/streets	1,383,748
Economic and Community Development	354,097
Culture and Recreation	184,280
Total depreciation expense - governmental activities	<u>\$ 2,016,828</u>

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 6. Capital Assets, Continued**

The following table summarizes the changes to capital assets for business-type activities during the year.

<b>Business Type Activities:</b>	<b>Balance 6/30/2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Reclassifications</b>	<b>Balance 6/30/2015</b>
Capital assets not being depreciated:					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in progress	6,376,406	2,576,055	-	(26,180)	8,926,281
Total capital assets, not being depreciated	<u>6,376,406</u>	<u>2,576,055</u>	<u>-</u>	<u>(26,180)</u>	<u>8,926,281</u>
Capital assets being depreciated:					
Electric system	13,190,500	265,777	-	26,180	13,482,457
Gas system	5,408,572	12,949	-	-	5,421,521
Water system	40,981,557	390,811	-	-	41,372,368
Wastewater system	27,157,682	139,619	-	-	27,297,301
Landfill system	389,718	-	-	-	389,718
Improvements other than buildings	68,678	-	-	-	68,678
Machinery, equipment and vehicles	795,313	21,116	-	-	816,429
Total capital assets, being depreciated	<u>87,992,020</u>	<u>830,272</u>	<u>-</u>	<u>26,180</u>	<u>88,848,472</u>
Less accumulated depreciation for:					
Electric system	(6,054,941)	(483,566)	-	-	(6,538,507)
Gas system	(3,265,613)	(93,213)	-	-	(3,358,826)
Water system	(17,586,348)	(910,839)	-	-	(18,497,187)
Wastewater system	(8,212,899)	(639,884)	-	-	(8,852,783)
Landfill system	(201,809)	(39,211)	-	-	(241,020)
Improvements other than buildings	(11,276)	(2,796)	-	-	(14,072)
Machinery, equipment and vehicles	(638,770)	(45,075)	-	-	(683,845)
Total accumulated depreciation	<u>(35,971,656)</u>	<u>(2,214,584)</u>	<u>-</u>	<u>-</u>	<u>(38,186,240)</u>
Total capital assets, being depreciated, net	<u>52,020,364</u>	<u>(1,384,312)</u>	<u>-</u>	<u>26,180</u>	<u>50,662,232</u>
Business-type activities capital assets, net	<u>\$ 58,396,770</u>	<u>\$ 1,191,743</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,588,513</u>

Depreciation expense was charged to the functions/programs of the City as follows:

<b>Business-Type Activities:</b>	
Landfill	\$ 39,211
Water	910,839
Wastewater	639,883
Gas	93,214
Electric	483,566
Warehousing (Internal Service Fund)	2,796
Administration (Internal Service Fund)	45,075
Total Business-type Activities	<u>\$ 2,214,584</u>



**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 7. Long-Term Debt**

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The following is a summary of changes in long-term obligations for the year ended June 30, 2015:

	Balance 6/30/2014	Additions	Retirements	Balance 6/30/2015	Current Portion
<b>Governmental Activities:</b>					
Bonds Payable:					
Revenue bonds	\$ 6,710,000	\$ 7,620,000	\$ (5,750,000)	\$ 8,580,000	\$ 590,000
Loans Payable	585,225	-	(585,225)	-	-
Bond Premium	152,541	-	(152,541)	-	-
Capital Leases	763,827	400,000	(722,626)	441,201	157,122
OPEB Obligations	861,096	134,976	-	996,072	-
Net Pension Liability	11,710,429	1,509,931	-	13,220,360	-
Compensated Absences	553,113	464,312	(409,223)	608,202	425,741
Governmental Activities Long-term Liabilities	<u>\$ 21,336,231</u>	<u>\$ 10,129,219</u>	<u>\$ (7,619,615)</u>	<u>\$ 23,845,835</u>	<u>\$ 1,172,863</u>
<b>Business-Type Activities:</b>					
Bonds Payable:					
Revenue Bonds	\$ 2,445,000	\$ -	\$ (130,000)	\$ 2,315,000	\$ 135,000
Loans Payable	7,328,354	175,000	(694,936)	6,808,418	713,977
OPEB Obligations	473,900	74,284	-	548,184	-
Net Pension Liability	5,177,240	-	(307,683)	4,869,557	-
Compensated Absences	352,112	318,792	(392,087)	278,817	195,172
Business-type Activities Long-term Liabilities	<u>\$ 15,776,606</u>	<u>\$ 568,076</u>	<u>\$ (1,524,706)</u>	<u>\$ 14,819,976</u>	<u>\$ 1,044,149</u>
<b>Total Long-Term Liabilities</b>	<u><u>\$ 37,112,837</u></u>	<u><u>\$ 10,697,295</u></u>	<u><u>\$ (9,144,321)</u></u>	<u><u>\$ 38,665,811</u></u>	<u><u>\$ 2,217,012</u></u>

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 7. Long-Term Debt, Continued**

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The following is a listing of long-term debt outstanding as of June 30, 2015:

**Governmental Activities:**

**Revenue Bonds:**

Greater Arizona Development Authority (GADA) Revenue Bonds, Series 2006A, interest at 3.4% - 4.32%. Due in annual principal and semi-annual interest installments. Matures July 1, 2025. Bond proceeds were utilized for street renewal projects. The City has pledged future state shared revenues and City transaction privilege tax revenues to repay the bond. \$ 960,000

Excise Tax Revenue Refunding Bonds, Series 2015A, interest at 2.28%. Due in annual principal and semi-annual interest installments. Matures July 1, 2029. The City has pledged future state shared revenues and excise tax revenues to repay the bond. 5,800,000

Excise Tax Revenue Refunding Bonds, Series 2015B, interest at 1.98%. Due in annual principal and semi-annual interest installments. Matures July 1, 2020. The City has pledged future state shared revenues and excise tax revenues to repay the bond. 260,000

Excise Tax Revenue Refunding Bonds, Series 2015C, interest at 1.1% - 3.10%. Due in annual principal and semi-annual interest installments. Matures July 1, 2020. The City has pledged future state shared revenues and excise tax revenues to repay the bond. 845,000

Excise Tax Revenue Bonds, Series 2015D, interest at 2.3%. Due in annual principal and semi-annual interest installments. Matures July 1, 2025. Bond proceeds were utilized for street renewal projects. The City has pledged future state shared revenues and excise tax revenues to repay the bond. 715,000

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**Total Bonds and Notes Payable - Governmental Activities** **\$ 8,580,000**

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**Business-Type Activities:**

**Revenue Bonds:**

Greater Arizona Development Authority (GADA) Revenue Bonds, Series 2008A, interest at 3.0% - 5.0%. Due in annual principal and semi-annual interest installments. Matures August 1, 2028. Bond proceeds were utilized for electrical system improvements. The City has pledged future utility revenues to repay the bond. \$ 2,315,000

(Continued on next page)

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 7. Long-Term Debt, Continued**

**Loans Payable:**

Note payable to Tommy and Betty Jean Clonts Co-Trustees of the Clonts Living Trust. The note bears interest at 4%. Due in annual principal and interest payments of \$12,876.81. Matures July 1, 2035. Proceeds were used to purchase a well.	175,000
Water Infrastructure Finance Authority (WIFA) loan. The note bears interest at 3.15%. Due in annual principal and semi-annual interest installments. Matures in 2028. Proceeds were used for various wastewater system projects. The City has pledged future utility revenues to repay the loan.	1,452,333
Water Infrastructure Finance Authority (WIFA) loan. The note bears interest at 2.46%. Due in annual principal and semi-annual interest installments. Matures in 2016. Proceeds were used for various water system projects. The City has pledged future utility revenues to repay the loan.	169,372
Water Infrastructure Finance Authority (WIFA) loan. The note bears interest at 2.94%. Due in annual principal and semi-annual interest installments. Matures in 2028. Proceeds were used for various water system projects. The City has pledged future utility revenues to repay the loan.	4,707,979
Water Infrastructure Finance Authority (WIFA) loan. The note bears interest at 2.38%. Due in annual principal and semi-annual interest installments. Matures in 2017. Proceeds were used for various water system projects. The City has pledged future utility revenues to repay the loan.	<u>303,734</u>
<b>Total Bonds and Notes Payable - Business-Type Activities</b>	<u><u>\$ 9,123,418</u></u>

Long-term debt service maturities are as follows:

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 590,000	\$ 108,835	\$ 848,977	\$ 302,887
2017	725,000	195,887	705,887	284,918
2018	225,000	166,578	569,638	263,240
2019	750,000	161,798	592,422	243,204
2020	755,000	144,616	610,593	223,641
2021-2025	2,880,000	486,580	3,384,863	793,493
2026-2030	2,655,000	179,604	2,343,536	185,242
2031-2035	-	-	55,120	9,263
2036	-	-	12,382	495
Totals	<u><u>\$ 8,580,000</u></u>	<u><u>\$ 1,443,898</u></u>	<u><u>\$ 9,123,418</u></u>	<u><u>\$ 2,306,383</u></u>

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 8. Capital Leases Payable**

**Obligations under Capital Leases**

The City has entered into lease agreements as a lessee for financing the acquisition of a landfill compactor and dozer. The lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of the future minimum lease payments as of the inception date for amounts that meet the City's capitalization threshold. Revenues from the Interagency Motor Pool Fund, an Internal Service Fund, are used to pay the governmental activities capital lease obligations.

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2015 are as follows:

Year Ending June 30	Governmental Activities
2016	\$ 165,337
2017	84,179
2018	84,180
2019	84,180
2020	42,090
Total remaining minimum lease payments	459,966
Less amount representing interest	(18,765)
Present value of net remaining minimum lease payments	\$ 441,201

Assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 875,618
Less: Accumulated depreciation	(143,578)
Total	\$ 732,040

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 9. Landfill Closure and Postclosure Costs**

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will not be paid until near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an addition to long-term liabilities on the Statement of Net Position in each period based on landfill capacity used as of fiscal year end. The \$6,404,732 reported as landfill closure and post closure care liability at June 30, 2015, represents the cumulative amount reported to date. These amounts are based on the use of 92.0 percent of the estimated capacity of the landfill and an estimated final cost of \$6,860,532 and based on a 1999 engineer's estimate of what it would have cost to perform closure and post-closure care at that time. These figures are adjusted annually for inflation. The City will recognize the remaining estimated cost of closure and postclosure care as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2014-2015. The City expects to close the landfill in the year 2024, and the actual cost may be higher due to inflation, changes in technology, or changes in regulations. Resources from the Landfill Fund will be used to liquidate the landfill closure and postclosure payable.

**Note 10. Interfund Receivables, Payables and Transfers**

Interfund transfers for the fiscal year ended June 30, 2015 are as follows:

Transfers Out	Transfers In Non-Major Governmental Funds	Total
General Fund	\$ 702,734	\$ 702,734
Total	\$ 702,734	\$ 702,734

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 11. Retirement and Pension Plans**

**Arizona State Retirement System (ASRS)**

**Plan description** – The Town participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

**Benefits provided** – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	<b>Initial Membership Date Before July 1, 2011</b>	<b>Initial Membership Date On or After July 1, 2011</b>
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

\* With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 11. Retirement and Pension Plans, Continued**

In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.51 percent for retirement and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that would typically be filled by an employee who contributes to the ASRS.

The Town's contributions for the current and 2 preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2013	\$ 544,569	\$ 34,534	\$ 12,751
2014	627,325	34,033	13,613
2015	607,621	32,920	6,696

**Pension liability** – At June 30, 2015, the Town reported a liability of \$9,623,628 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The Town's proportion measured as of June 30, 2014, was 0.065039 percent, which was an increase of 0.003492 percent from its proportion measured as of June 30, 2013.

**Pension expense and deferred outflows/inflows of resources** – For the year ended June 30, 2015, the Town recognized pension expense for ASRS of \$808,965. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 489,101	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,682,875
Changes in proportion and differences between contributions and proportional share of contributions	404,063	-
Contributions subsequent to the measurement date	607,621	-
Total	<u>\$ 1,500,785</u>	<u>\$ 1,682,875</u>

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 11. Retirement and Pension Plans, Continued**

The \$607,621 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<b>Year Ended June 30</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2016	\$ (32,387)
2017	(32,387)
2018	(304,219)
2019	(420,718)

**Actuarial Assumptions** – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:



**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 11. Retirement and Pension Plans, Continued**

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Real Return Arithmetic Basis</b>	<b>Long-Term Expected Portfolio Real Rate of Return</b>
Equity	63%	7.03%	4.43%
Fixed income	25%	3.20%	0.80%
Commodities	4%	4.50%	0.18%
Real Estate	8%	4.75%	0.38%
Totals	100%		5.79%
	<u>Inflation</u>		3.00%
		<u>Expected arithmetic nominal return</u>	8.79%

**Discount Rate** – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the proportionate share of the net pension liability to changes in the discount rate** – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of Net pension (asset) / liability	\$ 12,163,773	\$ 9,623,628	\$ 8,245,473

**Pension plan fiduciary net position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
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**Note 11. Retirement and Pension Plans, Continued**

**Public Safety Personnel Retirement System (PSPRS)**

**Plan description** – The Town contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. The reports are available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**Benefits provided** – The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	<b>Initial Membership Date Before January 1, 2012</b>	<b>Initial Membership Date On or After January 1, 2012</b>
<b>Retirement and Disability</b>		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years months
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
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**Note 11. Retirement and Pension Plans, Continued**

**Survivor Benefit**

Retired Members	80% to 100% of retired member's pension benefit
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

**Employees covered by benefit terms** – At June 30, 2015, the following employees were covered by the agent pension plans' benefit terms:

Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	2
Active employees	17
Total	33

**Contributions and annual OPEB cost** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements for pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active PSPRS members were required by statute to contribute 11.05 percent of their annual covered salary to the PSPRS and the Town was required to contribute 45.12 percent, the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The health insurance premium portion of the contribution rate was actuarially set at 2.2 percent.

For the agent plans, the Town's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were:

**Pension**

Contributions made	\$ 499,641
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**Health Insurance Premium Benefit**

Annual OPEB cost	\$ 25,498
Contributions made	\$ 25,498

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 11. Retirement and Pension Plans, Continued**

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**Pension liability** – At June 30, 2015, the Town reported a net pension liability of \$7,968,411. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions.

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

**Pension actuarial assumptions** – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Individual Entry Age Normal
Discount rate	7.85%
Projected salary increases	4.0% to 8.0% including inflation
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometrical real rates of return for each major asset class are summarized in the following table:

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 11. Retirement and Pension Plans, Continued**

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	16.00%	7.60%
Non-U.S. Equity	14.00%	8.63%
Private Equity	11.00%	9.50%
Fixed Income	7.00%	4.75%
Credit Opportunities	13.00%	8.00%
Absolute Return	4.00%	6.75%
GTAA	10.00%	5.73%
Real Assets	8.00%	5.96%
Real Estate	11.00%	6.50%
Risk Parity	4.00%	6.04%
Short Term Inv	2.00%	3.25%
<b>Total</b>	<b>100.00%</b>	

**Discount Rate** –A Single Discount Rate of 7.85% was used to measure the total pension liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 7.85%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 11. Retirement and Pension Plans, Continued**

**Changes in the Net Pension Liability**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2014	\$ 10,500,609	\$ 4,083,275	\$ 6,417,334
Changes for the year:			
Service cost	204,937	-	204,937
Interest on total pension liability	781,581	-	781,581
Changes of benefit terms*	221,928	-	221,928
Difference between expected and actual experience in the measurement of the pension liability	431,815	-	431,815
Changes of assumptions**	1,111,704	-	1,111,704
Contributions - employer	-	444,973	(444,973)
Contributions - employee	-	125,969	(125,969)
Net investment income	-	522,779	(522,779)
Benefit payments, including refunds of employee contributions	(1,293,261)	(1,293,261)	-
Other changes	-	107,167	(107,167)
Net changes	1,458,704	(92,373)	1,551,077
Balances at June 30, 2015	\$ 11,959,313	\$ 3,990,902	\$ 7,968,411

\* Changes of benefit terms include the payout of Retro PBI and a change in the employee contribution rate

\*\* Changes of assumptions include a decrease in the wage assumption from 4.5% to 4.0% as well as the inclusion of an assumption to explicitly value future PBI

**Sensitivity of the proportionate share of the net pension liability to changes in the discount rate –** The following table presents the Town's net pension liability calculated using the discount rate noted above, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.85%)	Discount Rate (7.85%)	1% Increase (8.85%)
Proportionate share of Net pension (asset) / liability	\$ 9,412,994	\$ 7,968,411	\$ 6,768,603

**Pension plan fiduciary net position –** Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial report.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 11. Retirement and Pension Plans, Continued**

**Pension expense and deferred outflows/inflows of resources** – For the year ended June 30, 2015, the Town recognized pension expense for PSPRS of \$980,574. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 331,927	\$ -
Changes in assumptions	854,544	-
Net difference between projected and actual earnings on pension plan investments	-	170,995
Contributions subsequent to the measurement date	499,641	-
Total	<b>\$ 1,686,112</b>	<b>\$ 170,995</b>

The \$499,641 reported as deferred outflows of resources related to PSPRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

<b>Year Ended June 30</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2016	\$ 314,299
2017	314,299
2018	314,299
2019	72,579

**Agent plan OPEB actuarial assumptions** – The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
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**Note 11. Retirement and Pension Plans, Continued**

Projections of benefits are based on (1) the plan as the Town and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2015 contribution requirements:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	23 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%-8.5%
Wage growth	4.50%

**Agent plan OPEB trend information** – Annual OPEB cost information for the health insurance premium benefit for the current and two preceding years follows for each of the agent plans:

Plan	Year Ended June 30,	Pension/ OPEB Cost	Annual Cost Contributed	OPEB Obligation
Health Insurance	2013	\$ 23,912	100%	-
	2014	23,214	100%	-
	2015	25,498	100%	-

**Agent plan OPEB funded status** – The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow.

	Insurance Subsidy
Actuarial accrued liability (AAL)	\$ 346,077
Actuarial value of plan assets	254,585
Unfunded actuarial accrued liability (UAAL)	<u>\$ 91,492</u>
Funded ratio (actuarial value of plan assets/AAL)	73.56%
Covered payroll (active plan members)	\$ 1,172,447
UAAL as a percentage of covered payroll	7.80%



**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 11. Retirement and Pension Plans, Continued**

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The actuarial methods and assumptions used for the most recent valuation date are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	22 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

**Elected Officials Retirement Plan (EORP)**

**Plan description** – Elected officials and judges participate in the Elected Officials Retirement Plan (EORP). EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for elected officials and judges who were members of the plan on December 31, 2013. This plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Articles 3. The EORP issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on PSPRS’s website at [www.psprs.com](http://www.psprs.com).

**Benefits provided** – The ASRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

**CITY OF SAFFORD, ARIZONA**  
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**June 30, 2015**

**Note 11. Retirement and Pension Plans, Continued**

**EORP**

	<b>Initial Membership Date Before January 1, 2012</b>	<b>Initial Membership Date On or After January 1, 2012</b>
<b>Retirement and Disability</b>		
Years of service and age required to receive benefit	20 years any age 10 years age 62 5 years age 65 5 years any age* Any years and age if disabled	10 years age 62 5 years age 65 Any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal Retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability Retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
<b>Survivor Benefit</b>		
Retired Members	75% of retired member's benefit	50% of retired member's benefit
Active Members and Other Inactive Members	75% of disability retirement benefit	50% of disability retirement benefit

\* With reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning.

**Contributions** – State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability. For the year ended June 30, 2015, active EORP members were required by statute to contribute 13 percent of the members' annual covered payroll, and the City was required to contribute a designated portion of certain court fees and 25.13 percent (23.5 percent for retirement and 1.63 percent for health insurance premium benefit) of active EORP members' annual covered payroll.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 11. Retirement and Pension Plans, Continued**

The City's contributions for the current and 2 preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ended June 30,	Retirement Fund	Health Insurance Fund
2013	\$ 18,098	\$ 742
2014	15,820	802
2015	12,003	833

During fiscal year 2015, the City paid EORP pension and OPEB contributions as follows: 100 percent from the General Fund.

**Pension Liability** – At June 30, 2015, the City reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the City's proportionate share of the State's appropriation for EORP. The amount the City recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the EORP net pension liability	\$ 497,876
State's proportionate share of the EORP net pension liability associated with the City	<u>152,653</u>
<b>Total</b>	<u><u>\$ 650,529</u></u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, for the June 30, 2014, actuarial valuation, the plan changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.

The City's proportion of the net pension liability as of June 30, 2013 and 2014 was based on the City's actual contributions to the plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2014. The City's proportion measured as of June 30, 2013 and 2014 was 0.0742465 percent.

**Pension expense and deferred outflows/inflows of resources** – For the year ended June 30, 2015, the City recognized pension expense for EORP of \$192,824 and revenue of \$45,248 for the City's proportionate share of the State's appropriation to EORP. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 11. Retirement and Pension Plans, Continued**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,188	\$ -
Changes in assumptions	134,737	-
Net difference between projected and actual earnings on pension plan investments	-	9,439
Changes in proportion and differences between contributions and proportional share of contributions	-	-
Contributions subsequent to the measurement date	12,003	-
Total	\$ 148,928	\$ 9,439

The \$12,003 reported as deferred outflows of resources related to EORP pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

<b>Year Ended June 30</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2016	\$ 76,496
2017	55,710
2018	(2,360)
2019	(2,360)

**Actuarial Assumptions** – The significant actuarial assumptions used to measure the total pension liability are as follows:

<b>EORP</b>	
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases	4.25%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table projected to 2025 with projection scale AA

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
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**Note 11. Retirement and Pension Plans, Continued**

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Short Term Investments	2.00%	3.25%
Absolute Return	4.00%	6.75%
Risk Parity	4.00%	6.04%
Fixed Income	7.00%	4.75%
Real Assets	8.00%	5.96%
GTAA	10.00%	5.73%
Private Equity	11.00%	9.50%
Real Estate	11.00%	6.50%
Credit Opportunities	13.00%	8.00%
Non-U.S. Equity	14.00%	8.63%
U.S. Equity	16.00%	7.60%
<b>Total</b>	<b>100.00%</b>	

**Discount Rate** – The discount rate used to measure the EORP total pension liability was 5.67 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.85 percent was applied to periods of projected benefit payments through the year ended June 30, 2020. A municipal bond rate of 4.29 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 30, 2014, was applied to periods of projected benefit payments after June 30, 2030.

**Sensitivity of the City's proportionate share of the EORP net pension liability to changes in the discount rate** – The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 5.67 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.67 percent) or 1 percentage point higher (6.67 percent) than the current rate:

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 11. Retirement and Pension Plans, Continued**

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of			
Net pension (asset) / liability	\$ 581,229	\$ 497,876	\$ 427,498

**Pension plan fiduciary net position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued EORP financial report.

**Volunteer Firefighters' Relief and Pension Fund (VFRPF)**

The City contributes to the Volunteer Firefighters' Relief and Pension Fund (VFRPF), a defined contribution plan to provide pensions to volunteer firefighters only. State statute requires that both the employee and the City make contributions equal to 7% of the employees' compensation. Some monies are also received from the State. After a volunteer firefighter has 20 years of service, he or she is entitled to a monthly pension, the amount of which is determined by the board of trustees of the VFRPF, not to exceed \$200. If an employee resigns before completing 20 years of service, he or she is entitled to a refund of his or her contributions only. He or she is not entitled to any part of the employer's contributions, the amounts received from the state or earnings on any of the contributions. Both the City and the employees made the required 7% contribution.

**Note 12. Other Postemployment Benefits – Single Employer Plan**

**Plan Description** – Under authority of the City Council, the City provides postretirement insurance (health) subsidy payments for retirees and their dependents through a single employer defined benefit plan. The City pays a subsidy to retirees and disabled employees for actual medical insurance coverage costs. The City's regular insurance providers do not underwrite the retiree policies. Retirees convert the benefit into an in-lieu payment to secure coverage under independent plans, including but not specific to Arizona State Retirement insurance. The City pays the difference between actual insurance coverage costs and the subsidy the State Retirement System provides to the retiree for health insurance costs. For the current fiscal year, the City contributed \$202,051 for these benefits. The Plan does not issue a separate financial report.

The number of participants as of the effected date of the biannual OPEB valuation follows:

Active employees	159
Retired employees	35
Total	194

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 12. Other Postemployment Benefits – Single Employer Plan, Continued**

**Funding Policy** – The City currently pays for postemployment benefits on a pay-as-you-go basis. Although the City is studying the establishment of a trust that would be used to accumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume that pay-as-you-go funding will continue.

**Annual OPEB Cost and Net OPEB Obligation** – The City’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation.

Annual required contribution	\$ 202,051
Interest on net OPEB obligation	7,209
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	209,260
Contributions made	-
Increase in net OPEB obligation	209,260
Net OPEB obligation - beginning of year	1,334,996
Net OPEB obligation - end of year	\$ 1,544,256

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ended June 30, 2015 and the two preceding years is as follows:

Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
2013	\$ 191,084	0%	\$ 1,143,110
2014	191,886	0%	1,334,996
2015	209,260	0%	1,544,256

**Funded Status and Funding Progress** – The funded status of the plan as of June 30, 2013 (the most recent valuation date) is as follows:

Actuarial accrued liability (AAL)	\$ 2,255,831
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 2,255,831
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 7,853,474
UAAL as a percentage of covered payroll	29.0%

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 12. Other Postemployment Benefits – Single Employer Plan, Continued**

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The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions** – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer at the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designated to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the most recent actuarial valuation, the normal cost and the allocation of actuarial present values between services rendered before and after the valuation date were determined using an individual entry-age actuarial cost method. The actuarial assumptions utilized an 8% discount rate based upon the assumption that the City will contribute the actuarially determined annual required contribution. The valuation assumes an 8% inflation factor for healthcare cost trend increases for fiscal year 2014-15, reduced by decrements to a rate of 5% over 6 years. The amortization method is a level percent of payroll over an open 30 year period. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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**Note 13. Risk Management**

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The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City joined with other cities around the State in the Arizona Municipal Risk Retention Pool (AMRRP), a public entity risk pool currently operating as a common risk management and insurance and workers' compensation program for approximately 73 members. The City pays an annual premium to AMRRP for its general insurance coverage. The agreement provides that AMRRP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$600,000 for general liability claims and \$400,000 for property claims for each insured event.

The City insures employee health insurance and accident claims from the Rural Arizona Governmental Health Trust (RAGHT) pool. RAGHT is a multi-entity benefits consortium formed in accordance with A.R.S. §11-952 and A.R.S. §11952.01. RAGHT offers a partially self-funded medical benefit program, a fully self-funded dental program, and full insured Life/AD&D and vision benefit programs. Administrative services are performed by independent agencies for the medical and dental programs.

The City continues to carry commercial insurance for workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five fiscal years.



**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 14. Contingent Liabilities and Commitments**

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of City management and City Counsel, the amount of potential losses resulting from these lawsuits will not have a materially adverse effect on the City's financial position at June 30, 2015.

The City receives federal and state funding for specific purposes that are subject to review and audit by the grantor agencies. Such audits could result in disallowances under the terms of the grants. There are no required disbursements identified or recorded at the date of these financial statements.

At year end, the City had contractual commitments related to various capital projects for the construction of streets, water, wastewater, electric, and airport renewal projects. These projects are largely being funded by state and federal grants.

**Note 15. Restatement Adjustment**

As mentioned in Note 1 to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. This resulted in a restatement of beginning net position as follows:

	<b>Net Pension Liability</b>	<b>Deferred outflows - contributions made during fiscal year 2014</b>	<b>Total Restatement Adjustment</b>
Governmental Activities	\$ (11,710,428)	\$ 770,691	\$ (10,939,737)
Business Activities	(5,177,238)	317,426	(4,859,812)
Landfill Fund	(244,026)	14,962	(229,064)
Sewer Fund	(1,128,454)	69,188	(1,059,266)
Wastewater Fund	(623,827)	38,248	(585,579)
Gas Fund	(599,270)	36,742	(562,528)
Electric Fund	(884,735)	54,245	(830,490)
Motor Pool Fund	(356,267)	21,843	(334,424)
Warehousing Fund	(163,809)	10,043	(153,766)
Administration Services Fund	(905,812)	55,537	(850,275)
Engineering Fund	(627,305)	38,461	(588,844)

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 16. Debt Refunding**

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The City issued the \$260,000 2015 Series B Excise Tax Revenue Refunding Bonds with an interest rate of 1.98% for a current refunding of some capital leases. The refunding was undertaken to reduce total debt service payments by \$20,325 and resulted in an economic gain of \$20,126.

The City issued the \$845,000 2015 Series C Excise Tax Revenue Refunding Bonds with an interest rate of 1.1-3.10% for a current refunding of some capital leases. The refunding was undertaken to reduce total debt service payments by \$225,476 and resulted in an economic gain of \$178,775.

The City issued the \$5,800,000 2015 Series A Excise Tax Revenue Refunding Bonds with an interest rate of 2.28% for an advance refunding of \$5,310,000 in Greater Arizona Development (GADA) Revenue Bonds, Series 2006A. The net proceeds of \$5,686,777 were deposited into an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, a portion of the GADA revenue bonds are considered defeased and the liability for the bond has been removed from the statement of net position. The refunding was undertaken to reduce total debt service payments by \$274,373 and resulted in an economic gain of \$497,475. The amount of defeased debt still outstanding at year end is \$5,310,000.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SAFFORD, ARIZONA**  
**Required Supplementary Information**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**Costs Sharing Pension Plans**  
**June 30, 2015**

**Arizona State Retirement System**

		<b>Reporting Fiscal Year (Measurement Date) 2015 (2014)</b>
Proportion of the net pension liability (asset)		0.065039%
Proportionate share of the net pension liability (asset)	\$	9,623,628
Covered employee payroll	\$	5,436,490
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		177.02%
Plan fiduciary net position as a percentage of the total pension liability		69.49%

**Elected Officials Retirement Plan**

		<b>Reporting Fiscal Year (Measurement Date) 2015 (2014)</b>
Proportion of the net pension liability (asset)		0.074247%
City's proportionate share of the net pension liability	\$	497,876
State's proportionate share of the net pension liability associated with the City	\$	152,653
Total proportionate share of the net pension liability	\$	650,529
Covered employee payroll	\$	40,800
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		1220.28%
Plan fiduciary net position as a percentage of the total pension liability		31.91%

Note: The City implemented GASB 68 in fiscal year 2015. Prior year information is not available.

See accompanying notes to the pension plan schedules

**CITY OF SAFFORD, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios**  
**Agent Pension Plans**  
**June 30, 2015**

**Public Safety Personnel Retirement System**

	<b>Reporting Fiscal Year (Measurement Date) 2015 (2014)</b>
<b>Total pension liability</b>	
Service cost	\$ 204,937
Interest on total pension liability	781,581
Changes of benefit terms	221,928
Difference between expected and actual experience of the total net pension liability	431,815
Changes of assumptions	1,111,704
Benefit payments, including refunds of employee contributions	(1,293,261)
<b>Net change in total pension liability</b>	1,458,704
<b>Total pension liability - beginning</b>	10,500,609
<b>Total pension liability - ending (a)</b>	\$ 11,959,313
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 444,973
Contributions - employee	125,969
Net investment income	522,779
Benefit payments, including refunds of employee contributions	(1,293,261)
Other (net transfer)	107,167
<b>Net change in plan fiduciary net position</b>	(92,373)
<b>Plan fiduciary net position - beginning</b>	4,083,275
<b>Plan fiduciary net position - ending (b)</b>	\$ 3,990,902
 <b>Net pension liability - ending (a) - (b)</b>	\$ 7,968,411
 Plan fiduciary net position as a percentage of the total pension liability	33.37%
 Covered employee payroll	\$ 1,172,447
 Net pension liability as a percentage of covered- employee payroll	679.64%

Note: The City implemented GASB 68 in fiscal year 2015. Prior year information is not available.

See accompanying notes to the pension plan schedules

**CITY OF SAFFORD, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Pension Contributions**  
**June 30, 2015**

**Arizona State Retirement System**

	<b>Reporting Fiscal Year</b> <b>(Measurement Date)</b> <b>2015</b> <b>(2014)</b>
Contractually required contribution	\$ 627,325
Contributions in relation to the contractually required contribution	\$ (627,325)
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 5,436,490
Contributions as a percentage of covered-employee payroll	11.54%

**Public Safety Personnel Retirement System**

	<b>Reporting Fiscal Year</b> <b>(Measurement Date)</b> <b>2015</b> <b>(2014)</b>
Actuarially determined contribution	\$ 444,973
Contributions in relation to the actuarially determined contribution	\$ (444,973)
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 1,172,447
Contributions as a percentage of covered-employee payroll	37.95%

See accompanying notes to the pension plan schedules

**CITY OF SAFFORD, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Pension Contributions (Continued)**  
**June 30, 2015**

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**Elected Officials Retirement Plan**

	Reporting Fiscal Year (Measurement Date) <b>2015</b> <b>(2014)</b>
Contractually required contribution	\$ 15,820
Contributions in relation to the contractually required contribution	\$ (15,820)
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 40,800
Contributions as a percentage of covered-employee payroll	38.77%

Note: The City implemented GASB 68 in fiscal year 2015. Prior year information is not available.

See accompanying notes to the pension plan schedules

**CITY OF SAFFORD, ARIZONA**  
**Required Supplementary Information**  
**Notes to Pension Plan Schedules**  
**June 30, 2015**

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**NOTE 1. Actuarially Determined Contribution Rates**

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Actuarially determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2013 actuarial valuation, the projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%
Wage growth	In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females)



**CITY OF SAFFORD, ARIZONA**  
**Required Supplementary Information**  
**Schedule of OPEB Plans' Funding Progress**  
**June 30, 2015**

**Public Safety Personnel Retirement System**  
**Health Insurance Premium Benefit**

	(a)	(b)	(b) - (a)	(a)/(b)	(c)	Unfunded AAL As a Percentage of Covered Payroll
Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	[(b)-(a)] / (c)
June 30, 2012	-	321,829	321,829	0.0%	1,102,416	29.19%
2013	-	334,357	334,357	0.0%	1,061,331	31.50%
2014	254,585	346,077	91,492	73.56%	1,172,447	7.80%
2015	**	**	**	**	**	**

\*\* Fiscal Year 2015 information is not available

**Other Postemployment Benefits**

	(a)	(b)	(b) - (a)	(a)/(b)	(c)	Unfunded AAL As a Percentage of Covered Payroll
Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	[(b)-(a)] / (c)
2013	-	2,255,831	2,255,831	0.0%	7,853,474	29%
2011	-	2,531,151	2,531,151	0.0%	7,840,917	32%
2009	-	3,076,380	3,076,380	0.0%	8,313,736	37%

See accompanying notes to the OPEB plans' funding progress

**CITY OF SAFFORD, ARIZONA**  
**Required Supplementary Information**  
**Notes to Schedule of OPEB Plans' Funding Progress**  
**June 30, 2015**

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**NOTE 1. Factors that Affect the Identification of Trends**

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Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON STATEMENTS**

**FOR THE FOLLOWING MAJOR FUNDS:**

**General Fund**

- The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

**Special Revenue Funds**

- The **Highway User Revenue Fund** accounts for state gasoline taxes that are legally restricted by the State of Arizona for road construction and maintenance.

**CITY OF SAFFORD, ARIZONA**  
**GENERAL FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes:				
City sales tax	\$ 5,172,000	\$ 5,172,000	\$ 4,913,467	\$ (258,533)
Franchise taxes	1,282,546	1,282,546	886,797	(395,749)
Property taxes	230,486	230,486	226,936	(3,550)
Total taxes	<u>6,685,032</u>	<u>6,685,032</u>	<u>6,027,200</u>	<u>(657,832)</u>
Intergovernmental revenues:				
State sales tax	847,112	847,112	859,512	12,400
Auto lieu tax	483,630	483,630	506,991	23,361
Urban revenue sharing	1,158,000	1,158,000	1,158,024	24
Grant revenues	1,599,870	1,599,870	838,168	(761,702)
Other	469,400	469,400	234,127	(235,273)
Total intergovernmental	<u>4,558,012</u>	<u>4,558,012</u>	<u>3,596,822</u>	<u>(961,190)</u>
Licenses and permits	65,000	65,000	67,153	2,153
Charges for services	2,562,264	2,562,264	2,973,261	410,997
Fines and forfeitures	68,000	68,000	72,108	4,108
Interest earnings	5,000	5,000	6,097	1,097
Contingency	4,000,000	4,000,000	-	(4,000,000)
Other revenues	194,000	194,000	46,048	(147,952)
Total revenues	<u>18,137,308</u>	<u>18,137,308</u>	<u>12,788,689</u>	<u>(5,348,619)</u>
<b>Expenditures</b>				
Current:				
<b>General government:</b>				
City council	460,904	460,904	373,139	87,765
City manager	289,978	289,978	252,979	36,999
Human resources	255,854	255,854	182,276	73,578
City attorney	167,910	167,910	139,564	28,346
City clerk & general	281,887	281,887	240,764	41,123
Financial services	580,820	580,820	535,352	45,468
Building inspection	164,219	164,219	147,973	16,246
Public works administration	251,617	251,617	229,097	22,520
Building maintenance	582,553	582,553	513,488	69,065
Street lights	80,000	80,000	66,162	13,838
Total general government	<u>3,115,742</u>	<u>3,115,742</u>	<u>2,680,794</u>	<u>434,948</u>

(Continued)

**CITY OF SAFFORD, ARIZONA**  
**GENERAL FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance (Continued)**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Public safety:</b>				
Police chief & admin	708,662	708,662	676,090	32,572
Criminal investigation	591,151	591,151	505,516	85,635
Patrol	2,414,122	2,414,122	2,236,388	177,734
Animal control	139,011	139,011	132,668	6,343
Police grant division	388,870	388,870	184,561	204,309
City court	241,631	241,631	239,245	2,386
Fire department	685,707	685,707	614,600	71,107
Total public safety	<u>5,169,154</u>	<u>5,169,154</u>	<u>4,589,068</u>	<u>580,086</u>
<b>Sanitation</b>				
Sanitation	1,211,531	1,211,531	1,211,749	(218)
Total sanitation	<u>1,211,531</u>	<u>1,211,531</u>	<u>1,211,749</u>	<u>(218)</u>
<b>Culture and recreation</b>				
Library grants	381,000	381,000	167,601	213,399
Library general	573,971	573,971	532,834	41,137
Recreational program	139,090	139,090	112,632	26,458
Parks	511,035	511,035	474,418	36,617
Golf course	205	205	205,466	(205,261)
Total culture and recreation	<u>1,605,301</u>	<u>1,605,301</u>	<u>1,492,951</u>	<u>112,350</u>
<b>Economic and community development:</b>				
Planning & community development	467,658	467,658	309,036	158,622
Airport	109,481	109,481	105,811	3,670
Total economic and community development	<u>577,139</u>	<u>577,139</u>	<u>414,847</u>	<u>162,292</u>
Capital outlay	1,622,000	1,622,000	675,823	946,177
Debt service:				
Principal	94,697	94,697	64,281	30,416
Interest	24,231	24,231	12,461	11,770
Total debt service	<u>118,928</u>	<u>118,928</u>	<u>76,742</u>	<u>42,186</u>
Total expenditures	<u>13,419,795</u>	<u>13,419,795</u>	<u>11,141,974</u>	<u>2,277,821</u>
Excess of revenues over expenditures	<u>4,717,513</u>	<u>4,717,513</u>	<u>1,646,715</u>	<u>(3,070,798)</u>
<b>Other financing sources (uses)</b>				
Sale of capital assets	-	-	140,120	140,120
Transfers out	-	-	(702,734)	(702,734)
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>(562,614)</u>	<u>(562,614)</u>
<b>Net change in fund balance</b>	4,717,513	4,717,513	1,084,101	(3,633,412)
Fund balance - beginning	1,280,484	1,280,484	1,280,484	-
Fund balance - ending	<u>\$ 5,997,997</u>	<u>\$ 5,997,997</u>	<u>\$ 2,364,585</u>	<u>\$ (3,633,412)</u>

**CITY OF SAFFORD, ARIZONA**  
**HIGHWAY USER REVENUE**  
**Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,106,000	\$ 1,106,000	\$ 1,087,551	\$ (18,449)
Intergovernmental revenue	1,131,920	1,131,920	682,307	(449,613)
Other revenues	169,000	169,000	171,587	2,587
Total revenues	<u>2,406,920</u>	<u>2,406,920</u>	<u>1,941,445</u>	<u>(465,475)</u>
<b>EXPENDITURES</b>				
Current:				
Public works/Streets	1,384,480	1,384,480	1,407,704	(23,224)
Capital outlay	811,138	811,138	208,901	602,237
Total expenditures	<u>2,195,618</u>	<u>2,195,618</u>	<u>1,616,605</u>	<u>579,013</u>
Excess of revenues				
Over (Under) expenditures	<u>211,302</u>	<u>211,302</u>	<u>324,840</u>	<u>113,538</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(772,200)	(772,200)	-	772,200
Total other financing Sources (Uses)	<u>(772,200)</u>	<u>(772,200)</u>	<u>-</u>	<u>772,200</u>
Net change in fund balance	(560,898)	(560,898)	324,840	885,738
Fund balance, beginning of year	<u>2,411,006</u>	<u>2,411,006</u>	<u>2,411,006</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,850,108</u>	<u>\$ 1,850,108</u>	<u>\$ 2,735,846</u>	<u>\$ 885,738</u>

**SUPPLEMENTARY INFORMATION**

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**COMBINING STATEMENTS  
AND BUDGETARY COMPARISON STATEMENTS**

**NON-MAJOR GOVERNMENTAL FUNDS**

**Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

- The **20<sup>th</sup> Avenue STP Grant** fund is used to account for funding received by the City for 20<sup>th</sup> Avenue related expenditures.
- The **Police Res-Magistrate** fund is used to account for the specific funding received from fines which are to be used for public safety.
- The **Main Street Improvements Grant** fund is used to account for the City's grant to make main street improvements.
- The **Library** fund is used to account for grants received for the operations of the joint City and County Library.
- The **Magistrate** fund is used to account for monies received to improve, maintain and enhance the ability to collect and manage monies assessed or received by the courts, to improve court automation and to improve case processing or the administration of justice.

**Debt Service**

- The **Debt Service** fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

**CITY OF SAFFORD, ARIZONA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	Special Revenue			
	20th Avenue STP Grant	Police Res-Magistrate Collections	Main Street Improvements Grant	Library
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 9,569	\$ -	\$ 2,228
Restricted cash and cash equivalents	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 9,569</b>	<b>\$ -</b>	<b>\$ 2,228</b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 746
Unearned revenue	-	-	-	1,482
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,228</b>
<b>Fund Balances</b>				
Restricted for:				
Public safety	-	9,569	-	-
Capital outlay	-	-	-	-
Assigned to:				
Debt service	-	-	-	-
Total fund balances	-	9,569	-	-
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ -</b>	<b>\$ 9,569</b>	<b>\$ -</b>	<b>\$ 2,228</b>

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<u>Special Revenue</u>		Total Nonmajor Governmental Funds
<u>Magistrate</u>	<u>Debt Service</u>	
\$ 15,642	\$ 44,017	\$ 71,456
-	33,480	33,480
<u>\$ 15,642</u>	<u>\$ 77,497</u>	<u>\$ 104,936</u>
\$ -	\$ -	\$ 746
-	-	1,482
<u>-</u>	<u>-</u>	<u>2,228</u>
15,642	-	25,211
-	33,480	33,480
-	44,017	44,017
<u>15,642</u>	<u>77,497</u>	<u>102,708</u>
<u>\$ 15,642</u>	<u>\$ 77,497</u>	<u>\$ 104,936</u>

**CITY OF SAFFORD, ARIZONA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

	Special Revenue			
	20th Avenue STP Grant	Police Res-Magistrate Collections	Main Street Improvements Grant	Library
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ 2,485	\$ 1,420,526	\$ 22,781
Fines and forfeitures	-	-	-	-
Total revenues	-	2,485	1,420,526	22,781
<b>EXPENDITURES:</b>				
Current:				
Culture and recreation	-	-	-	22,781
Public safety	-	-	-	-
Capital outlay	-	-	1,435,214	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	-	1,435,214	22,781
Excess of revenues				
Over (under) expenditures	-	2,485	(14,688)	-
Other Financing Sources (Uses):				
Debt issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	-	-	14,688	-
Total other financing sources (uses):	-	-	14,688	-
Net change in fund balances	-	2,485	-	-
Fund balances - beginning	-	7,084	-	-
Fund balances - ending	\$ -	\$ 9,569	\$ -	\$ -

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<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Magistrate</u>	<u>Debt Service</u>	
\$ -	\$ -	\$ 1,445,792
<u>4,331</u>	<u>-</u>	<u>4,331</u>
<u>4,331</u>	<u>-</u>	<u>1,450,123</u>
-	-	22,781
5,323	-	5,323
-	666,520	2,101,734
-	1,514,599	1,514,599
<u>-</u>	<u>362,653</u>	<u>362,653</u>
<u>5,323</u>	<u>2,543,772</u>	<u>4,007,090</u>
<u>(992)</u>	<u>(2,543,772)</u>	<u>(2,556,967)</u>
-	7,620,000	7,620,000
-	(5,686,777)	(5,686,777)
<u>-</u>	<u>688,046</u>	<u>702,734</u>
<u>-</u>	<u>2,621,269</u>	<u>2,635,957</u>
(992)	77,497	78,990
<u>16,634</u>	<u>-</u>	<u>23,718</u>
<u>\$ 15,642</u>	<u>\$ 77,497</u>	<u>\$ 102,708</u>

**CITY OF SAFFORD, ARIZONA**  
**20<sup>TH</sup> AVENUE STP GRANT**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenue	\$ 601,591	\$ 601,591	\$ -	\$ (601,591)
Total revenues	<u>601,591</u>	<u>601,591</u>	<u>-</u>	<u>(601,591)</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>616,881</u>	<u>616,881</u>	<u>-</u>	<u>616,881</u>
Total expenditures	<u>616,881</u>	<u>616,881</u>	<u>-</u>	<u>616,881</u>
Excess of revenues Over (Under) expenditures	<u>(15,290)</u>	<u>(15,290)</u>	<u>-</u>	<u>15,290</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ (15,290)</u>	<u>\$ (15,290)</u>	<u>\$ -</u>	<u>\$ 15,290</u>

**CITY OF SAFFORD, ARIZONA**  
**POLICE RES-MAGISTRATE COLLECTIONS**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 4,000	\$ 4,000	\$ 2,485	\$ (1,515)
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>2,485</u>	<u>(1,515)</u>
<b>EXPENDITURES</b>				
Public safety	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues Over (Under) expenditures	4,000	4,000	2,485	(1,515)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>7,084</u>	<u>7,084</u>
Fund balance, end of year	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 9,569</u>	<u>\$ 5,569</u>

**CITY OF SAFFORD, ARIZONA**  
**MAIN STREET IMPROVEMENTS**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 961,000	\$ 961,000	\$ 1,420,526	\$ 459,526
Total revenues	<u>961,000</u>	<u>961,000</u>	<u>1,420,526</u>	<u>459,526</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>1,030,000</u>	<u>1,030,000</u>	<u>1,435,214</u>	<u>(405,214)</u>
Total expenditures	<u>1,030,000</u>	<u>1,030,000</u>	<u>1,435,214</u>	<u>(405,214)</u>
Excess of revenues Over (Under) expenditures	<u>(69,000)</u>	<u>(69,000)</u>	<u>(14,688)</u>	<u>54,312</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>14,688</u>	<u>14,688</u>
Total other financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>14,688</u>	<u>14,688</u>
Net change in fund balance	(69,000)	(69,000)	-	69,000
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ (69,000)</u>	<u>\$ (69,000)</u>	<u>\$ -</u>	<u>\$ 69,000</u>



**CITY OF SAFFORD, ARIZONA**  
**LIBRARY**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 23,000	\$ 23,000	\$ 22,781	\$ (219)
Total revenues	<u>23,000</u>	<u>23,000</u>	<u>22,781</u>	<u>(219)</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	<u>23,000</u>	<u>23,000</u>	<u>22,781</u>	<u>219</u>
Total expenditures	<u>23,000</u>	<u>23,000</u>	<u>22,781</u>	<u>219</u>
Excess of revenues				
Over (Under) expenditures	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF SAFFORD, ARIZONA  
MAGISTRATE  
SPECIAL REVENUE FUND  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fines and forfeitures	\$ 2,000	\$ 2,000	\$ 4,331	\$ 2,331
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>4,331</u>	<u>2,331</u>
<b>EXPENDITURES</b>				
Public safety	-	-	5,323	(5,323)
Total expenditures	<u>-</u>	<u>-</u>	<u>5,323</u>	<u>(5,323)</u>
Excess of revenues Over (Under) expenditures	2,000	2,000	(992)	(2,992)
Fund balance, beginning of year	<u>16,634</u>	<u>16,634</u>	<u>16,634</u>	<u>-</u>
Fund balance, end of year	<u>\$ 18,634</u>	<u>\$ 18,634</u>	<u>\$ 15,642</u>	<u>\$ (2,992)</u>

**CITY OF SAFFORD, ARIZONA**  
**DEBT SERVICE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<b>EXPENDITURES</b>				
Capital outlay	-	-	666,520	(666,520)
Debt service:				
Principal	772,200	772,200	1,514,599	(742,399)
Interest and fiscal charges	-	-	362,653	(362,653)
Total expenditures	772,200	772,200	2,543,772	(1,771,572)
Excess of revenues				
Over (Under) expenditures	(772,200)	(772,200)	(2,543,772)	(1,771,572)
<b>Other Financing Sources (Uses):</b>				
Debt issued	-	-	7,620,000	7,620,000
Payment to refunded bond escrow agent	-	-	(5,686,777)	(5,686,777)
Transfers out	-	-	-	-
Transfers in	772,200	772,200	688,046	(84,154)
Total other financing Sources (Uses)	772,200	772,200	2,621,269	1,849,069
Net change in fund balance	-	-	77,497	77,497
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ 77,497	\$ 77,497

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## SUPPLEMENTARY INFORMATION

### COMBINING STATEMENTS

### INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for financing goods and services provided by one department or agency to other department or agencies of the City on a cost reimbursement basis.

- The **Interagency Motor Pool** fund is used to account for the City's motor pool charges and expenses.
- The **Warehousing** fund is used to account for the City's central warehouse charges and expenses.
- The **Administration Services** fund is used to account for the administrative services charges and expenses.
- The **Engineering Services** fund is used to account for engineering services charges and expenses.

**CITY OF SAFFORD, ARIZONA**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2015**

<b>Assets</b>	Interagency Motor Pool	Warehousing	Administration Services
<b>Current Assets:</b>			
Cash and investments	\$ 2,855,910	\$ 217,645	\$ 877,981
Receivables (net of allowance)			
Intergovernmental	500	-	-
Inventories	140	1,315,083	-
Prepaid items	23,998	838	26,204
<b>Total current assets</b>	<b>2,880,548</b>	<b>1,533,566</b>	<b>904,185</b>
<b>Noncurrent Assets:</b>			
<b>Capital Assets:</b>			
Buildings and improvements	407,867	-	-
Improvements other than buildings	-	68,677	-
Machinery, equipment and vehicles	12,086,656	19,384	797,044
Accumulated depreciation	(7,314,319)	(33,457)	(664,460)
<b>Total capital assets</b>	<b>5,180,204</b>	<b>54,604</b>	<b>132,584</b>
<b>Total noncurrent assets</b>	<b>5,180,204</b>	<b>54,604</b>	<b>132,584</b>
<b>Total Assets</b>	<b>8,060,752</b>	<b>1,588,170</b>	<b>1,036,769</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions	52,257	24,028	132,864
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	28,806	170,757	35,517
Accrued payroll and employee benefits	1,471	2,750	3,724
Compensated absences - current	16,267	2,360	41,120
Leases payable - current	157,122	-	-
<b>Total current liabilities</b>	<b>203,666</b>	<b>175,867</b>	<b>80,361</b>
<b>Noncurrent liabilities:</b>			
Compensated absences, net of current portion	6,972	1,011	17,623
Net pension liability	335,095	154,074	851,980
Leases payable, net of current portion	284,079	-	-
<b>Total noncurrent liabilities</b>	<b>626,146</b>	<b>155,085</b>	<b>869,603</b>
<b>Total liabilities</b>	<b>829,812</b>	<b>330,952</b>	<b>949,964</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions	58,598	26,943	148,985
<b>Net Position</b>			
Net investment in capital assets	4,739,003	54,604	132,584
Unrestricted	2,485,596	1,199,699	(61,900)
<b>Total net position</b>	<b>\$ 7,224,599</b>	<b>\$ 1,254,303</b>	<b>\$ 70,684</b>

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Engineering Services	Totals
\$ 153,718	\$ 4,105,254
-	500
-	1,315,223
-	51,040
<u>153,718</u>	<u>5,472,017</u>
-	407,867
-	68,677
-	12,903,084
-	(8,012,236)
-	<u>5,367,392</u>
-	<u>5,367,392</u>
<u>153,718</u>	<u>10,839,409</u>
<u>92,013</u>	<u>301,162</u>
2,058	237,138
18,567	26,512
4,858	64,605
-	157,122
<u>25,483</u>	<u>485,377</u>
2,081	27,687
590,025	1,931,174
-	284,079
<u>592,106</u>	<u>2,242,940</u>
<u>617,589</u>	<u>2,728,317</u>
<u>103,177</u>	<u>337,703</u>
-	4,926,191
(475,035)	3,148,360
<u>\$ (475,035)</u>	<u>\$ 8,074,551</u>

**CITY OF SAFFORD, ARIZONA**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2015**

<b>Operating Revenues</b>	Interagency Motor Pool	Warehousing	Administration Services
Charges for services	\$ 2,122,738	\$ 339,288	\$ 1,819,460
Other income	398	100	-
Total operating revenues	<u>2,123,136</u>	<u>339,388</u>	<u>1,819,460</u>
<b>Operating Expenses</b>			
Utilities	14,275	11,092	71,249
Professional fees	-	-	9,690
Contract services	35,402	435	1,720
Insurance	73,654	4,973	-
Miscellaneous	66,369	207,196	91,386
Depreciation	649,855	2,796	45,075
Outside services	-	182	169,922
Salaries, wages, and benefits	293,921	184,235	865,035
Rental	6,021	12,738	29,873
Supplies	198,690	12,240	200,503
Total operating expenses	<u>1,338,187</u>	<u>435,887</u>	<u>1,484,453</u>
Operating income (loss)	<u>784,949</u>	<u>(96,499)</u>	<u>335,007</u>
<b>Non-operating Revenues (Expenses)</b>			
Investment earnings	1,228	-	-
Interest and fiscal charges	(17,091)	-	-
Gain (loss) on sale of assets	(70,136)	-	-
Total non-operating revenue (expense)	<u>(85,999)</u>	<u>-</u>	<u>-</u>
Change in net position	698,950	(96,499)	335,007
Net position, beginning of year	6,860,073	1,504,568	585,952
Restatement adjustment	<u>(334,424)</u>	<u>(153,766)</u>	<u>(850,275)</u>
Net position, end of year	<u>\$ 7,224,599</u>	<u>\$ 1,254,303</u>	<u>\$ 70,684</u>



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Engineering Services	Totals
\$ 740,412	\$ 5,021,898
49	547
<u>740,461</u>	<u>5,022,445</u>
4,027	100,643
72,700	82,390
-	37,557
-	78,627
33,035	397,986
-	697,726
3,521	173,625
479,825	1,823,016
24,202	72,834
9,342	420,775
<u>626,652</u>	<u>3,885,179</u>
<u>113,809</u>	<u>1,137,266</u>
-	1,228
-	(17,091)
<u>-</u>	<u>(70,136)</u>
<u>-</u>	<u>(85,999)</u>
113,809	1,051,267
-	8,950,593
<u>(588,844)</u>	<u>(1,927,309)</u>
<u>\$ (475,035)</u>	<u>\$ 8,074,551</u>

**CITY OF SAFFORD, ARIZONA**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2015**

	Interagency Motor Pool	Warehousing
<b>Cash Flows From Operating Activities:</b>		
Receipts from interfund charges	\$ 2,123,136	\$ 339,213
Cash paid to suppliers	(378,508)	56,199
Cash paid to employees	(282,765)	(177,767)
Cash flows from operating activities	1,461,863	217,645
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Proceeds from the sale of assets	107,779	-
Purchase of capital assets	(1,204,500)	-
Debt proceeds	400,000	-
Principal paid on long term debt	(170,369)	-
Interest paid	(17,091)	-
Cash flows from capital and related financing activities	(884,181)	-
<b>Cash Flows From Investing Activities:</b>		
Interest on investments	1,228	-
Net change in cash and cash equivalents	578,910	217,645
Cash and cash equivalents, including temporarily restricted cash, beginning of year	2,277,000	-
<b>Cash and cash equivalents, including temporarily restricted cash, end of year</b>	<b>\$ 2,855,910</b>	<b>\$ 217,645</b>
<b>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</b>		
Net operating income/(loss)	\$ 784,949	\$ (96,499)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Depreciation/amortization	649,855	2,796
Pension expense	28,169	12,952
Employer pension contributions	(21,157)	(9,728)
Changes in operating assets and liabilities:		
(Increase)/Decrease in receivables	-	(175)
(Increase)/Decrease in inventory	-	236,034
(Increase)/Decrease in prepaid items	12,190	(54)
Increase/(Decrease) in accounts payable	3,713	69,075
Increase/(Decrease) in accrued payroll and employee benefits	4,144	3,244
Increase/(Decrease) in due to other funds	-	-
Net cash flows from operating activities	\$ 1,461,863	\$ 217,645

Administrative Services	Engineering Services	Totals
\$ 1,819,460	\$ 740,461	\$ 5,022,270
(576,751)	(148,591)	(1,047,651)
(841,924)	(526,514)	(1,828,970)
<u>400,785</u>	<u>65,356</u>	<u>2,145,649</u>
-	-	107,779
(21,115)	-	(1,225,615)
-	-	400,000
-	-	(170,369)
-	-	(17,091)
<u>(21,115)</u>	<u>-</u>	<u>(905,296)</u>
-	-	1,228
379,670	65,356	1,241,581
<u>498,311</u>	<u>88,362</u>	<u>2,863,673</u>
<u>\$ 877,981</u>	<u>\$ 153,718</u>	<u>\$ 4,105,254</u>
\$ 335,007	\$ 113,809	\$ 1,137,266
45,075	-	697,726
71,619	49,598	162,338
(53,793)	(37,253)	(121,931)
-	-	(175)
-	-	236,034
(5,834)	-	6,302
3,426	(1,764)	74,450
5,285	(59,034)	(46,361)
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 400,785</u>	<u>\$ 65,356</u>	<u>\$ 2,145,649</u>

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## STATISTICAL SECTION

This part of the City of Safford’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the government’s overall financial health.

Contents	Page
Financial Trends .....	108
<i>These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.</i>	
Revenue Capacity .....	113
<i>These schedules contain information to help the reader assess the government’s property taxes and the most significant local revenues source, the sales tax.</i>	
Debt Capacity .....	115
<i>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information.....	118
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	
Operating Information .....	121
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	

**CITY OF SAFFORD, ARIZONA**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Governmental Activities</b>										
Net Investment in Capital Assets:	\$ 16,732,994	\$ 22,348,262	\$ 21,518,201	\$ 21,561,708	\$ 20,917,716	\$ 20,653,034	\$ 20,978,424	\$ 27,349,488	\$ 29,268,578	\$ 29,106,750
Restricted	-	-	-	-	-	827,631	1,035,403	1,071,188	2,390,620	2,785,217
Unrestricted	1,519,166	(3,251,655)	(2,250,819)	(1,738,281)	(1,171,950)	1,196,496	1,326,108	922,943	2,209,820	(8,032,762)
Total Governmental Activities Net Position	\$18,252,160	\$19,096,607	\$19,267,382	\$19,823,427	\$19,745,766	\$22,677,161	\$23,339,935	\$29,343,619	\$33,869,018	\$23,859,205
<b>Business-type activities</b>										
Net Investment in Capital Assets:	\$ 32,671,943	\$ 33,444,453	\$ 40,689,932	\$ 36,953,200	\$ 41,779,346	\$ 45,649,326	\$ 48,405,227	\$ 45,199,095	\$ 48,623,415	\$ 50,465,095
Restricted	-	-	-	-	2,275,122	1,183,026	1,137,612	279,169	279,169	279,169
Unrestricted	5,242,183	5,893,772	1,850,497	5,300,828	4,595,818	7,235,120	9,256,122	13,529,336	11,090,307	10,576,752
Total Business-Type Activities Net Position	\$37,914,126	\$39,338,225	\$42,540,429	\$42,254,028	\$48,650,286	\$54,067,472	\$58,798,961	\$59,007,600	\$59,992,891	\$61,321,016
<b>Primary government</b>										
Net Investment in Capital Assets:	\$49,404,937	\$55,792,715	\$62,208,133	\$58,514,908	\$62,697,062	\$66,302,360	\$69,383,651	\$72,548,583	\$77,891,993	\$79,571,845
Restricted	-	-	-	-	2,275,122	2,010,657	2,173,015	1,350,357	2,669,789	3,064,386
Unrestricted	6,761,349	2,642,117	(400,322)	3,562,547	3,423,868	8,431,616	10,582,230	14,452,279	13,300,127	2,543,990
Total Primary Government Net Position	\$56,166,286	\$58,434,832	\$61,807,811	\$62,077,455	\$68,396,052	\$76,744,633	\$82,138,896	\$88,351,219	\$93,861,909	\$85,180,221

**Source:** The source of this information is the City's financial records.

**Note:** The significant increase in governmental activities in fiscal year 2007 is due to the addition of retroactive infrastructure as required by GASB statement 34.

**Note:** The significant decrease in fiscal year 2015 is due to the addition net pension liabilities as required by GASB statement 68.

**CITY OF SAFFORD, ARIZONA**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
Governmental activities:										
General Government	\$ 2,818,236	\$ 3,228,687	\$ 4,130,224	\$ 3,868,579	\$ 3,223,810	\$ 2,868,828	\$ 3,133,958	\$ 3,150,383	\$ 3,192,161	\$ 4,049,819
Public Safety	2,631,162	3,173,736	3,454,258	3,743,985	3,741,728	3,889,627	4,738,627	4,902,300	4,952,160	5,400,353
Highway and Streets	1,655,367	1,931,614	1,713,275	2,336,657	1,890,432	1,852,093	2,227,690	2,071,690	2,117,746	3,810,291
Sanitation	1,036,931	1,097,169	2,614,614	1,103,633	1,216,241	1,022,428	1,182,603	1,220,126	1,239,595	1,376,403
Culture and Recreation	2,475,440	2,634,002	3,260,001	3,172,267	2,898,554	2,106,533	2,054,730	2,107,606	220,900	1,736,943
Economic and Community Development	232,370	223,446	244,842	103,425	92,063	351,950	552,541	994,423	689,070	809,809
Interest on Long-Term Debt	227,430	555,603	587,147	580,055	569,051	528,397	480,279	474,406	439,867	306,319
Total Governmental Activities Expenses	11,076,936	12,844,257	16,004,361	14,908,601	13,631,879	12,619,856	14,370,731	14,920,934	12,851,499	17,489,937
Business-Type Activities:										
Water	4,089,699	3,965,916	4,404,177	4,977,296	4,483,293	3,704,349	3,835,273	3,988,802	3,771,822	3,719,188
Wastewater	2,139,182	2,219,660	2,560,238	2,673,111	2,555,329	2,292,795	2,585,043	2,635,860	2,574,004	2,610,848
Gas	2,993,202	2,974,869	3,142,225	3,330,255	3,012,346	2,854,849	2,520,994	2,569,018	2,315,875	2,398,442
Electric	5,894,631	6,335,792	6,962,279	7,688,965	7,186,117	6,178,881	6,662,124	7,012,872	7,837,997	7,365,054
Landfill	916,359	953,871	982,287	1,566,575	1,145,443	1,257,871	1,077,897	1,113,660	1,207,653	1,216,987
Airport	327,620	402,285	364,132	459,379	334,623	538,631	583,575	-	-	-
Total Business-Type Activities Expenses	16,360,693	16,854,393	18,415,338	20,695,581	18,717,151	16,827,376	17,264,906	17,320,212	17,707,351	17,310,519
Total Primary Government Expenses	\$ 27,437,629	\$ 29,698,650	\$ 34,419,699	\$ 35,604,182	\$ 32,349,030	\$ 29,447,232	\$ 31,635,637	\$ 32,241,146	\$ 30,558,850	\$ 34,800,456
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
General Government	1,810,784	2,046,431	2,669,982	3,758,516	3,052,621	2,280,070	2,985,679	2,996,915	2,925,974	3,521,623
Public Safety	152,985	89,701	274,793	469,269	309,000	322,948	409,080	416,808	422,780	449,031
Highway and Streets	-	-	-	-	-	-	-	-	-	-
Sanitation	695,977	811,388	961,359	994,369	955,725	972,117	991,754	1,004,375	1,058,977	1,082,649
Culture and Recreation	531,824	544,638	505,473	497,225	547,237	230,527	53,537	58,988	58,011	60,870
Economic and Community Development	-	27,508	172,836	139,563	74,691	92,656	-	124,759	125,697	128,302
Operating grants and contributions	4,461,195	1,112,277	1,152,093	929,977	1,209,462	1,135,839	1,031,997	897,058	960,254	1,357,280
Capital grants and contributions	-	-	439,795	-	42,045	342,986	493,283	334,183	2,029,410	1,885,877
Total Governmental Activities Program Revenues	7,652,765	4,631,943	6,176,331	6,788,919	6,190,781	5,377,143	5,965,330	5,833,086	7,581,103	8,485,632
Business-Type Activities:										
Charges for Services:										
Water	3,723,831	4,508,258	5,136,929	4,673,148	4,827,527	4,587,729	4,564,087	4,389,697	5,562,149	5,178,135
Wastewater	1,490,328	1,996,803	3,311,079	3,083,067	2,694,922	2,462,021	2,454,693	2,364,170	2,478,847	2,360,493
Gas	2,972,872	2,951,728	3,333,519	3,059,527	3,252,703	3,271,358	3,121,378	2,981,713	2,697,397	2,587,113
Electric	6,473,184	6,769,144	7,565,816	7,906,694	9,080,807	8,901,294	8,816,434	8,973,235	9,244,070	9,008,151
Landfill	978,217	1,295,860	1,346,923	1,255,546	1,048,132	1,105,663	1,036,977	1,173,911	1,342,304	1,378,984
Airport	108,924	119,839	181,874	163,554	178,974	161,411	133,780	-	-	-
Operating Grants and Contributions	1,027,586	503,326	-	362,972	4,008,059	4,425,483	1,922,205	2,756,504	1,718,482	2,956,956
Capital Grants and Contributions	-	-	722,273	-	-	-	-	-	-	-
Total Business-Type Activities Program Revenues	16,774,942	18,144,958	21,598,413	20,504,508	25,091,124	24,914,959	22,049,554	22,639,230	23,043,249	23,469,832
Total Primary Government Program Revenues	\$ 24,427,707	\$ 22,776,901	\$ 27,774,744	\$ 27,293,427	\$ 31,281,905	\$ 30,292,102	\$ 28,014,884	\$ 28,472,316	\$ 30,624,352	\$ 31,955,464

\* Beginning in fiscal year 2013 the airport operations were reported as a department of the general fund.

(continued)

**CITY OF SAFFORD, ARIZONA**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Net (expense)/revenue</b>										
Governmental Activities	\$ (3,424,171)	\$ (8,212,314)	\$ (9,828,030)	\$ (8,119,682)	\$ (7,441,098)	\$ (7,242,713)	\$ (8,405,401)	\$ (9,087,848)	\$ (7,270,396)	\$ (9,004,305)
Business-Type Activities	414,249	1,290,565	3,183,075	(191,073)	6,373,973	8,087,583	4,784,648	5,319,018	5,335,898	6,159,313
Total Primary Government Net Expense	\$ (3,009,922)	\$ (6,921,749)	\$ (6,644,955)	\$ (8,310,755)	\$ (1,067,125)	\$ 844,870	\$ (3,620,753)	\$ (3,768,830)	\$ (1,934,498)	\$ (2,844,992)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Property taxes, levied for general purposes	\$ 171,755	\$ 167,665	\$ 177,196	\$ 185,141	\$ 184,556	\$ 194,978	\$ 201,761	\$ 227,921	\$ 228,994	\$ 233,033
City sales tax	3,662,056	5,746,283	6,512,064	5,576,365	4,605,185	4,945,809	5,576,922	6,093,479	6,607,750	6,001,019
Franchise taxes	70,319	68,031	65,772	73,419	66,999	59,905	844,465	873,661	909,208	886,797
Unrestricted state shared sales tax	2,383,761	2,374,843	2,719,808	2,550,627	2,357,794	2,081,548	1,983,093	2,251,184	2,367,906	2,524,527
Grants, aid, and contributions - unrestricted	-	-	-	-	-	-	-	-	-	-
Development impact fees	-	-	-	-	-	-	-	-	-	-
Unrestricted Investment Earnings (loss)	261,923	615,421	356,249	39,012	13,223	10,092	9,027	16,442	11,830	1,228
Miscellaneous	81	707	21,749	152,808	135,680	195,643	438,374	366,725	293,770	287,625
Transfers	-	83,811	145,967	98,355	-	(26,076)	14,533	30,070	1,376,337	-
Total Governmental Activities	6,549,895	9,056,761	9,998,805	8,675,727	7,363,437	7,461,899	9,068,175	9,869,482	11,795,795	9,934,229
Business-Type Activities:										
Development impact fees	229,020	-	-	-	-	-	-	-	-	-
Unrestricted Investment Earnings (loss)	237,213	217,345	165,096	3,027	22,285	15,736	21,374	66,738	32,217	28,624
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	-	(83,811)	(145,967)	(98,355)	-	26,076	(14,533)	(30,070)	(1,376,337)	-
Total Business-Type Activities	466,233	133,534	19,129	(95,328)	22,285	41,812	6,841	36,668	(1,344,120)	28,624
Total Primary Government	\$ 7,016,128	\$ 9,190,295	\$ 10,017,934	\$ 8,580,399	\$ 7,385,722	\$ 7,503,711	\$ 9,075,016	\$ 9,906,150	\$ 10,451,675	\$ 9,962,853
<b>Changes in Net Position</b>										
Governmental Activities	\$ 3,125,724	\$ 844,447	\$ 170,775	\$ 556,045	\$ (77,661)	\$ 219,186	\$ 662,774	\$ 781,634	\$ 4,525,399	\$ 929,924
Business-Type Activities	880,482	1,424,099	3,202,204	(286,401)	6,396,258	8,129,395	4,791,489	5,355,686	3,991,778	6,187,937
Total Primary Government	\$ 4,006,206	\$ 2,268,546	\$ 3,372,979	\$ 269,644	\$ 6,318,597	\$ 8,348,581	\$ 5,454,263	\$ 6,137,320	\$ 8,517,177	\$ 7,117,861



**CITY OF SAFFORD, ARIZONA**  
**Fund Balance of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>General Fund</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,990	\$ 39,464	\$ 47,223	\$ 42,488	\$ 43,753
Unassigned	-	-	-	-	-	3,525,524	3,943,693	3,632,604	1,237,996	2,320,832
Reserved	-	-	25,774	28,468	35,921	-	-	-	-	-
Unreserved	2,486,405	1,571,767	1,860,998	2,632,606	3,071,044	-	-	-	-	-
<b>Total General Fund</b>	<b>\$ 2,486,405</b>	<b>\$ 1,571,767</b>	<b>\$ 1,886,772</b>	<b>\$ 2,661,074</b>	<b>\$ 3,106,965</b>	<b>\$ 3,555,514</b>	<b>\$ 3,983,157</b>	<b>\$ 3,679,827</b>	<b>\$ 1,280,484</b>	<b>\$ 2,364,585</b>

**All other Governmental Funds**

Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,090	\$ 9,343	\$ -	\$ 8,961	\$ 9,320
Restricted	-	-	-	-	-	827,631	1,035,403	1,071,188	2,390,620	2,785,217
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(3,743,609)	(3,787,116)	(3,597,476)	35,143	-
Reserved	-	-	9,254	9,572	9,831	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	(46,789)	(1,161,865)	(2,327,758)	(3,330,126)	(3,780,719)	-	-	-	-	-
Capital projects funds	8,795,117	3,854,532	1,518,452	1,512,578	67,660	-	-	-	-	-
Debt service fund	-	440,998	776,703	980,675	1,068,380	-	-	-	-	-
<b>Total all other Governmental Funds</b>	<b>\$ 8,748,328</b>	<b>\$ 3,133,665</b>	<b>\$ (23,349)</b>	<b>\$ (827,301)</b>	<b>\$ (2,634,848)</b>	<b>\$ (2,905,888)</b>	<b>\$ (2,742,370)</b>	<b>\$ (2,526,288)</b>	<b>\$ 2,434,724</b>	<b>\$ 2,794,537</b>

**Source:** The source of this information is the City's financial records

**Note:** The provisions of Governmental Accounting Standards Board (GASB) Statement No. 54 were adopted in fiscal year 2011. The standard replaces the previous reserved and unreserved fund balance categories with the following five fund balance classifications: nonspendable, restricted, committed, assigned, and unassigned fund balance.

**CITY OF SAFFORD, ARIZONA**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Taxes	\$ 3,904,130	\$ 5,981,979	\$ 6,755,032	\$ 5,834,925	\$ 4,856,740	\$ 5,200,692	\$ 6,623,147	\$ 7,192,817	\$ 7,745,952	\$ 7,114,751
Licenses and Permits	92,076	222,929	109,408	95,512	54,972	65,365	66,345	68,380	55,972	67,153
Intergovernmental	7,041,209	3,615,181	4,625,743	3,989,435	3,952,256	3,911,044	3,508,374	3,486,968	5,360,112	5,724,921
Charges for Services	2,724,244	2,972,369	3,779,379	4,964,249	4,348,600	3,233,026	2,458,392	2,606,646	2,837,209	2,973,261
Fines and Forfeitures	88,250	85,144	100,503	94,778	88,299	74,568	78,682	75,526	69,878	76,439
Miscellaneous	90,828	111,870	302,856	347,129	243,468	370,331	438,389	324,234	233,355	217,635
Investment income (loss)	240,063	598,163	334,942	39,891	14,446	9,557	8,050	13,796	10,725	6,097
Special Assessments	3,421	2,233	3,818	1,251	2,045	-	-	-	-	-
Total Revenues	\$ 14,184,221	\$ 13,589,868	\$ 16,011,681	\$ 15,367,170	\$ 13,560,826	\$ 12,864,583	\$ 13,181,379	\$ 13,768,367	\$ 16,313,203	\$ 16,180,257
<b>Expenditures</b>										
Current:										
General Government	\$ 2,784,056	\$ 3,196,607	\$ 3,751,838	\$ 3,862,006	\$ 3,150,035	\$ 2,731,894	\$ 2,590,895	\$ 2,655,398	\$ 2,800,833	\$ 2,680,794
Public Safety	2,645,929	3,322,508	3,769,817	4,007,841	3,855,546	3,769,031	4,049,278	4,170,614	4,457,666	4,594,391
Highways and streets	1,257,907	1,501,307	1,741,143	1,776,368	1,307,536	1,115,255	1,131,916	1,151,231	1,272,160	1,407,704
Sanitation	1,056,109	1,155,959	1,206,092	1,075,654	1,110,186	1,053,879	1,020,240	1,040,965	1,119,239	1,211,749
Culture and recreation	2,307,658	2,649,119	3,290,951	3,120,127	2,783,528	1,889,625	1,608,052	1,641,180	1,549,779	1,515,732
Economic and community development	169,778	243,273	187,648	151,196	67,724	316,557	442,268	527,065	598,661	414,847
Capital Outlay	6,358,143	6,024,572	3,939,257	300,730	1,609,952	734,302	778,102	615,437	2,475,438	2,986,458
Debt service:										
Interest and Fiscal Charges	227,430	543,794	641,618	511,742	520,753	464,999	439,751	433,005	418,276	375,114
Principal	540,000	1,482,030	538,035	489,471	488,942	552,757	451,605	582,477	543,460	1,578,880
Bond issuance costs	252,335	-	-	-	-	-	-	-	-	-
Total Expenditures	17,599,345	20,119,169	19,066,399	15,295,135	14,894,202	12,628,299	12,512,107	12,817,372	15,235,512	16,765,669
Revenues over (under) Expenditures	(3,415,124)	(6,529,301)	(3,054,718)	72,035	(1,333,376)	236,284	669,272	950,995	1,077,691	(585,412)
<b>Other Finance Sources (Uses)</b>										
Debt proceeds	10,170,000	-	318,750	-	-	-	-	-	-	7,620,000
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	(5,686,777)
Premium on issuance of loans	498,752	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	4,092,708	1,856,090	503,741	297,947	300,847	1,540,927	2,180,006	2,427,140	5,650,242	140,120
Transfers out	(4,092,708)	(1,856,090)	(609,782)	(399,632)	(329,127)	(1,599,702)	(2,258,117)	(2,427,140)	(4,166,264)	702,734
Total other Finance Sources (uses)	10,668,752	-	212,709	(101,685)	(28,280)	(58,775)	(78,111)	-	1,483,978	(702,734)
<b>Net Change in Fund Balances</b>	\$ 7,253,628	\$ (6,529,301)	\$ (2,842,009)	\$ (29,650)	\$ (1,361,656)	\$ 177,509	\$ 591,161	\$ 950,995	\$ 2,561,669	\$ 1,487,931
Debt Service as a Percentage of Noncapital Expenditures	6.83%	14.37%	7.80%	6.65%	7.55%	8.30%	7.43%	8.27%	7.68%	12.61%

**CITY OF SAFFORD, ARIZONA**  
**Taxable Sales by Category**  
**Last Ten Fiscal Years**

	Fiscal Year									
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Construction	194,265	\$ 188,141	\$ 200,360	\$ 188,645	\$ 309,237	\$ 365,433	\$ 520,687	\$ 938,460	\$ 482,050	\$ 404,099
Manufacturing	111,898	133,881	126,073	88,794	111,222	88,236	109,541	139,363	135,385	160,648
Utilities	145,414	155,194	159,437	183,351	181,923	203,295	212,368	224,752	170,360	97,415
Wholesale	144,690	159,094	181,800	173,488	106,618	93,150	140,075	117,626	55,747	80,181
Retail	4,080,789	4,336,285	4,093,815	3,856,735	3,719,848	3,590,697	4,024,039	4,625,932	4,265,882	2,305,045
Restaurants	499,882	548,137	465,466	404,634	352,085	332,107	363,298	256,271	370,251	276,031
Property Rental	236,767	246,908	216,489	163,495	191,373	175,848	247,841	231,559	222,483	177,809
Hotels	363,731	643,810	454,109	322,155	303,173	240,840	451,707	568,064	404,466	314,374
Services	172,507	174,135	140,091	137,562	121,138	121,691	146,418	178,596	166,234	126,885
Other	36,363	22,165	55,465	58,058	46,223	49,379	73,974	104,409	69,634	(6,083)
<b>Total</b>	<b>\$ 5,986,306</b>	<b>\$ 6,607,750</b>	<b>\$ 6,093,105</b>	<b>\$ 5,576,917</b>	<b>\$ 5,442,840</b>	<b>\$ 5,260,676</b>	<b>\$ 6,289,948</b>	<b>\$ 7,385,032</b>	<b>\$ 6,342,492</b>	<b>\$ 3,936,404</b>

Safford's direct sales tax rate

2.5%      2.5%      2.5%      2.5%      2.5%      2.5%      2.5%      2.5%      2.5%      2.5%

**Source:** Arizona Department of Revenue

- Notes:**
- 1) Beginning in January 2004, the Arizona Department of Revenue began using a new reporting software system for classifying business establishments called the North American Industry Classification System (NAICS). Under the new system, the category may be defined a little differently. In addition, more categories were established.
  - 2) When NAICS reporting began, many businesses checked the "Other" category due to uncertainty. This problem is being remedied and therefore, the "Other" category will decrease as more businesses will be classified under their proper category.

**CITY OF SAFFORD, ARIZONA**  
**Sales Tax Rates**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Safford Direct Rate</b>	<b>Arizona Rate</b>	<b>Graham County Rate</b>
2015	2.50%	5.60%	0.50%
2014	2.50%	5.60%	0.50%
2013	2.50%	5.60%	0.50%
2012	2.50%	6.60%	0.50%
2011	2.50%	6.60%	0.50%
2010	2.50%	5.60%	0.50%
2009	2.50%	5.60%	0.50%
2008	2.50%	5.60%	0.50%
2007	2.50%	5.60%	0.50%
2006	2.50%	5.60%	0.50%
2005	2.00%	5.60%	0.50%

**Source:** The source of this information is the City's records.

**CITY OF SAFFORD, ARIZONA**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Loans	Capital Leases	Loans	Capital Leases			
2015	\$ 8,580,000	\$ 441,201	\$ 9,123,418	\$ -	\$ 18,144,619	n/a	\$ 1,890
2014	7,447,766	763,827	9,773,354	-	17,984,947	n/a	1,873
2013	7,908,270	1,117,000	10,574,761	-	19,600,031	n/a	2,049
2012	8,226,923	640,144	12,712,367	746,496	22,325,930	n/a	2,334
2011	8,678,528	869,720	14,738,754	857,331	25,144,333	n/a	2,629
2010	9,231,285	1,189,747	17,124,411	1,001,247	28,546,690	3.21%	2,903
2009	9,752,038	1,498,280	21,452,430	1,143,357	33,846,105	3.74%	3,391
2008	10,241,509	1,243,757	22,444,377	1,277,464	35,207,107	4.03%	3,722
2007	10,564,377	715,933	11,679,436	1,361,844	24,321,590	3.42%	2,576
2006	12,046,407	-	12,493,589	906,510	25,446,506	4.04%	2,696

**CITY OF SAFFORD, ARIZONA**  
**Direct and Overlapping Governmental Activities Debt**  
**June 30, 2015**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable to School District</u>	<u>Estimated Amount Applicable to School District</u>
Safford Unified School District No. 1	\$ 380,000	36.00 %	\$ 136,800
Subtotal, Overlapping Debt			<u>136,800</u>
Direct:			
City of Safford			<u>18,144,619</u>
Total Direct and Overlapping Debt			<u>\$ 18,281,419</u>

**Source:** The source of this information is the District's records and the State and County Abstract of the Assessment Roll, Arizona Department of Revenue and the applicable governmental unit.

**Notes:** 1) Estimated percentage of debt outstanding applicable to the District is calculated based on the District's secondary assessed valuation as a percentage of the secondary assessed valuation of the overlapping jurisdiction.

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**CITY OF SAFFORD, ARIZONA**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

**Legal Debt Margin Calculations for Fiscal Year 2015:**

	20% Limitation		Fiscal Year										6% Limitation	
	2014-2015	2013-2014	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	Secondary assessed valuation	Debt limit	Debt applicable to limit	Legal 6% debt margin
Secondary assessed valuation	\$ 44,386,775	\$ 9,200,914	\$ 10,334,269	\$ 10,199,044	\$ 13,741,392	\$ 12,584,925	\$ 9,831,547	\$ 8,297,914	\$ 7,663,462	\$ 6,902,479	\$ 45,732,130	2,743,928	-	\$ 2,743,928
Debt limit	8,877,355													
Debt applicable to limit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal 20% debt margin	\$ 8,877,355													
<b>20% Limitation (a)</b>														
Debt Limit Equal to 20% of Assessed Valuation	\$ 8,877,355	\$ 9,200,914	\$ 10,334,269	\$ 10,199,044	\$ 13,741,392	\$ 12,584,925	\$ 9,831,547	\$ 8,297,914	\$ 7,663,462	\$ 6,902,479	\$ 8,297,914	\$ 8,297,914	\$ 7,663,462	\$ 6,902,479
Total Debt Applicable to 20% Limit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal 20% Debt Margin (Available Borrowing Capacity)	\$ 8,877,355	\$ 9,200,914	\$ 10,334,269	\$ 10,199,044	\$ 13,741,392	\$ 12,584,925	\$ 9,831,547	\$ 8,297,914	\$ 7,663,462	\$ 6,902,479	\$ 8,297,914	\$ 8,297,914	\$ 7,663,462	\$ 6,902,479
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>6% Limitation (b)</b>														
Debt Limit Equal to 6% of Assessed Valuation	\$ 2,743,928	\$ 2,175,049	\$ 2,481,287	\$ 2,347,790	\$ 3,669,943	\$ 3,775,478	\$ 2,949,464	\$ 2,949,464	\$ 2,299,039	\$ 2,067,631	\$ 2,949,464	\$ 2,949,464	\$ 2,299,039	\$ 2,067,631
Total Debt Applicable to 6% Limit	\$ -	\$ (585,225)	\$ (618,994)	\$ (711,923)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal 6% Debt Margin (Available Borrowing Capacity)	\$ 2,743,928	\$ 1,589,824	\$ 1,862,293	\$ 1,635,867	\$ 3,669,943	\$ 3,775,478	\$ 2,949,464	\$ 2,949,464	\$ 2,299,039	\$ 2,067,631	\$ 2,949,464	\$ 2,949,464	\$ 2,299,039	\$ 2,067,631
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	0.00%	21.20%	22.43%	23.27%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Graham County Assessor's records

(a) 20% Debt Limitation can be used for Water, Sewer, Light, Parks, and Open Space Purposes.

(b) 6% Debt Limitation can be used for all other General Obligation Bonds.

**CITY OF SAFFORD, ARIZONA**  
**County-Wide Demographic and Economic Statistics**  
**Last Ten Calendar Years**

<u>Year</u>	<u>Population</u>	<u>Personal Income (thousands)</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>	<u>Estimated City Population</u>
2014	37,957	1,032,567	27,548	7.4	9,602
2013	37,482	1,032,567	27,548	7.6	9,602
2012	37,416	968,606	25,887	8.7	9,566
2011	37,147	936,660	25,515	10.4	9,566
2010	37,220	N/A	N/A	13.5	9,566
2009	39,792	888,053	23,972	14.0	9,832
2008	38,633	906,160	25,029	6.3	9,982
2007	37,338	874,558	23,423	2.8	9,460
2006	36,380	712,181	21,353	4.9	9,440
2005	35,455	629,832	19,034	6.6	9,440
2004	35,895	590,333	17,966	7.1	9,232
2003	34,180	542,698	16,444	7.3	9,232

**Sources:** The source of the "Personal Income" and "Per Capita" information is the Bureau of Economic Analysis.  
The source of the "Population" is the United States Census Bureau  
The source of the "Unemployment Rate" information is Federal Reserve Bank of St. Louis-Economic Data, aka FRED.

**Note:** N/A indicates that the information is not available.



**CITY OF SAFFORD, ARIZONA**  
**Principal Employers**  
**Current Year and Eight Years Ago**

<u>Employer</u>	<u>2015</u>		<u>2005</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Freeport McMoRan Copper and Gold Inc.	4,136	46.91 %	2,200	24.95 %
Mount Graham Regional Medical	538	6.10	440	4.99
Arizona State Prison Complex - Safford	372	4.22	480	5.44
Safford Unified School District	362	4.11	345	3.91
Wal-Mart	330	3.74		-
Graham County, Arizona	255	2.89	260	2.95
Eastern Arizona College	204	2.31	860	9.75
Federal Correctional Institution	206	2.34	200	2.27
City of Safford	147	1.67		
DRG Technologies	96	1.09		-
U.S. Bureau of Land Management	38	0.43	100	1.13
Arizona Department of Economic Security	31	0.35	130	1.47
Sun Pumps	17	0.19	155	1.76
Total	<u>6,732</u>	<u>76.35</u> %	<u>5,170</u>	<u>58.62</u> %
Total employment	<u>8,817</u>		<u>8,817</u>	

**Source:** 2005 numbers were taken from the Arizona Industrial Directory, publications of the Greater Phoenix Chamber of Commerce, the Graham County Chamber of Commerce, and an individual employer survey.

**CITY OF SAFFORD, ARIZONA**  
**Full-Time Equivalent City Government Employees by Function/Program**  
**Last Ten Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>General Government</b>										
Management	2	2	2	2	2	2	2	2	2	2
Finance	5	5	5	5	5	5	5	5	5	5
Planning	3	4	3	3	4	4	4	4	4	4
Building	7	6	6	5	5	5	5	5	5	5
Other	49	50	48	48	48	48	48	48	41	32
<b>Public Safety</b>										
Police										
Officers	21	20	20	19	19	21	22	21	21	19
Civilians	4	2	3	4	4	4	4	4	4	3
Fire										
Firefighters and officers*	33	31	29	28	28	28	29	29	28	28
<b>Highways and Streets</b>										
Engineering	5	5	6	5	5	4	4	4	6	3
Other	6	6	5	5	5	6	3	5	6	11
<b>Sanitation</b>										
<b>Culture and Recreation</b>										
Parks and recreation	4	5	5	5	6	11	11	16	16	37
Library	8	7	7	6	5	9	9	8	8	9
<b>Water</b>	14	13	11	10	11	20	20	20	20	21
<b>Wastewater</b>	6	7	7	6	4	5	5	5	5	5
<b>Gas</b>	5	6	6	6	6	6	8	8	6	7
<b>Electric</b>	7	7	6	6	6	6	8	8	8	9
<b>Landfill</b>	3	3	4	4	3	4	3	3	3	3
<b>Utility Admin and Support</b>	2	3	3	2	2	5	5	5	5	6
<b>Total</b>	184	182	176	169	175	208	210	215	208	225

\* Firefighters are volunteers and are paid a stipend on a per call basis.

**CITY OF SAFFORD, ARIZONA**  
**Capital Asset Information**  
**Last Ten Fiscal Years**

	Fiscal Year Ended June 30									
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b><u>Function/Program</u></b>										
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	14	14	14	14	14	9	22	22	22	22
<b>Fire Stations</b>	1	1	1	1	1	1	1	1	1	1
<b>Refuse collection</b>										
Collection trucks	11	11	10	9	6	8	6	6	6	6
<b>Other Public Works</b>										
Streets (miles)	44.4	44.4	44.4	43		43	43	43	45	43
Highways (miles)	5	5	5	5		5	5	5	5	5
Streetlights	861	861	861	860	853	848	848	848	840	840
Traffic signs	2327	2,234	2,234	2,064	1,777	1,790	1,310	1,310	1,310	1,295
<b>Parks and recreation</b>										
Acreage	720	720	720	720	720	720	720	720	720	720
Playgrounds	4	4	4	4	4	4	4	4	7	7
Baseball/softball diamonds	1	1	1	1	1	1	1	1	1	1
Soccer/football fields	1	1	1	1	1	1	1	1	1	1
Community centers	0	0	0	2	2	2	2	2	2	2
<b>Water</b>										
Water mains (miles)	252	251	252	254	255	251	242	242	235	232
Fire hydrants	1017	1,017	997	983	972	947	881	881	842	836
Storage capacity (thousands of gallons)	19,750	19,750	19,750	19,750	19,700	19,700	12,700	12,700	7,920	7,920
<b>Wastewater</b>										
Sanitary sewers (miles)	74	74	74	70	74	72	70	70	62	62
Storm sewers (miles)	20	20	20	20	20	20	20	20	6	6
Treatment capacity (thousands of gallons)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	4,008	4,008

**Source:** The source of this information is the City's facilities records.

**CITY OF SAFFORD, ARIZONA**  
**Operating Indicators by Function**  
**Last Three Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year Ended June 30</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Police:			
Burglaries	150	149	152
Citations (traffic)	572	886	647
Total Arrests	552	505	446
Thefts	537	517	645
Public Works			
Street resurfacing (miles)			
Parks and Recreation:			
Recreation Programs Held Annually	13	13	12
Months of Public Pool Operations	3	3	3
Parks Maintenance Man-Hours Worked	8,385	9,341	9,228
Library:			
Collection volume	38,624	38,653	38,076
Water:			
New connections	53	63	102
Total connections	8636	8571	8599

**Source:** City of Safford Finance Department

**OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS**

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**Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

The Honorable Mayor and  
City Council  
Safford, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Safford, Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Safford, Arizona's basic financial statements and have issued our report thereon dated January 11, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Safford, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Safford, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Safford, Arizona's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations dated January 11, 2016 that we consider to be significant deficiencies.

2015-001 Capital Asset Management  
2012-001 Accounting Adjustments not Initially Identified by the City's Internal Control  
2012-002 Bank Reconciliations

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC  
Flagstaff, Arizona  
January 11, 2016



## Independent Auditors' Report on State Legal Compliance

The Honorable Mayor and  
City Council  
Safford, Arizona

We have audited the basic financial statements of the City of Safford, Arizona for the year ended June 30, 2015, and have issued our report thereon dated January 11, 2016. Our audit also included test work on the City of Safford's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

The management of the City of Safford is responsible for the City's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

The City of Safford has established separate funds to account for Highway User Revenue funds and Local Transportation Assistance funds. Highway user revenue fund monies received by the City of Safford pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes. The funds are administered in accordance with Generally Accepted Accounting Principles. Sources of revenues available and fund balances are reflected in the individual fund financial statements.

Our opinion regarding the City's compliance with annual expenditure limitations has been issued separately with the City's Annual Expenditure Limitation Report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, The City of Safford, Arizona complied, in all material respects, with the requirements identified above for the year ended June 30, 2015.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.



HintonBurdick, PLLC  
Flagstaff, Arizona  
January 11, 2016

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